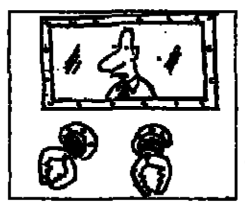
FINANCIAL TIMES

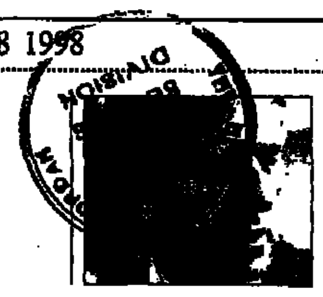
World Business Newspaper http://www.FT.com

MONDAY JUNE 8 1998

Indonesian gloom
Frenetic activity but few solutions
Page 17



Lucy Kellaway
Lessons in how to sack
Page 12



Ferrari revs up
Polishing the image of numero uno
Interview, Page 13

Today's Survey
Spain: For once, not left behind
Separate section

World Cup

Daily coverage begins in Wednesday's FT and on the FT web site at *www.FT.com*

FRANCE 98

WORLD NEWS

US and Europeans consult on military action as Kosovo crisis worsens

International military action in Kosovo appeared more likely as the European Union prepared further measures against Belgrade, and ethnic Albanians called for general mobilisation. Tony Blair, the UK prime minister, discussed the crisis on the telephone with Presidents Bill Clinton and Boris Yeltsin. Page 2

Swiss veto genetic engineering ban
Switzerland's role as Europe's leading centre of biomedical research was boosted when Swiss voters rejected by a margin of 2-1 a proposal to ban most types of genetic engineering. Page 18

Pakistan bomb kills 23
At least 23 people were killed and 32 injured when a bomb, blamed by Pakistan on Indian intelligence, hit a Karachi-Peshawar train. Picture, Page 6; Pakistan turns to Middle East, Page 6

Guinea Bissau coup foiled
Guinea Bissau's government said it put down a military revolt in the capital, although rebels were reported in control of a residential complex, including a hotel where foreigners were staying. Page 6

UK turned down 'mad cow' grant
A UK inquiry was told the government turned down grant applications for "vital" research work on "mad-cow" disease in 1991 from the world's leading authority on BSE. Page 8

Foreigners flee Eritrea raids
Hundreds of foreigners scrambled to escape Eritrea's capital Asmara after a weekend of air raids and artillery bombardment in the border dispute with Ethiopia. Page 4

Rabbi seeks Auschwitz change
Poland's chief rabbi Menachen Pinkas called for the former Nazi death camp Auschwitz-Birkenau to be turned into an extraterritoral zone outside Polish control.

New initiative on Europe's land use
Britain will press its EU partners today to agree proposals to co-ordinate their planning policies by arguing that the way each uses land and controls development affects the others. Page 3

Warning on microchip price-fixing
A UK economist says collusion among microchip manufacturers to charge higher prices in Europe than in the US and Asia is putting the development of Europe's information technology industries at risk. Page 3

Germans check high-speed trains
The German federal railway ordered ultrasound tests on its first generation high-speed trains as suspicion hardened that a broken wheel caused the nation's worst post-war rail crash. Page 18

Tehran mayor challenges court
At his trial on bribery and embezzlement charges, Tehran mayor Gholamhossein Karbaschi, an ally of moderate president Mohammed Khatami, challenged the competence of the court. Page 6

Schumacher wins Grand Prix
Germany's Michael Schumacher won the Canadian Formula One Grand Prix. Giancarlo Fisichella was second ahead of Eddie Irvine of the UK.

BUSINESS NEWS

Groups linked with Soros look at demerged Lonrho trading companies

Two African investment groups linked to George Soros, the high-profile US investor, will tell the London Stock Exchange today that they are "assessing the investment merits" of Lonrho Africa and Lonrho. The move is likely to heighten bid speculation surrounding the £120m ($196.8m) collection of sub-Saharan trading companies demerged from Lonrho a month ago. Page 19; Lex, Page 18

De Beers cut its diamond sales by nearly half, from $2.88bn to just over $1.6bn, in the first half of this year, in an attempt to stabilise a market rocked by the Asian economic downturn, according to traders. But there are signs that it may ease limits soon. Page 19; Battle settled between Newmont and Normandy Page 23

Société Foncière Lyonnaise, France's oldest property company, is to buy a portfolio of Paris buildings and a 50 per cent stake in a property management company for FFr2.6bn ($430m). Page 24

STMicroelectronics, French-Italian semiconductor company formerly known as SGS Thomson, shrugged off negative investor sentiment towards electronic stocks with a $1.37bn equity offering. Page 19

Prada, Italian champion of minimalist fashion, has taken a 5 per cent stake in rival Gucci. The move is seen as a prelude to an eventual bid for control. Page 19

Vivendi, French communications and services group, has sold its 24.4 per cent stake in Electrafina, Belgian holding company controlled by Baron Albert Frère, to another Frère company for BFr43.5bn ($1.2bn). Page 21

Petro-Canada, Canada's third largest integrated oil company, and Ultramar Diamond Shamrock, an independent Texas-based oil company, have run into difficulties with Canada's Competition Bureau over a planned joint venture. Page 21

EDC, Venezuela's leading private utilities enterprise, is moving ahead with a $1bn 10-year expansion plan and will diversify its operations throughout Latin America. Page 21

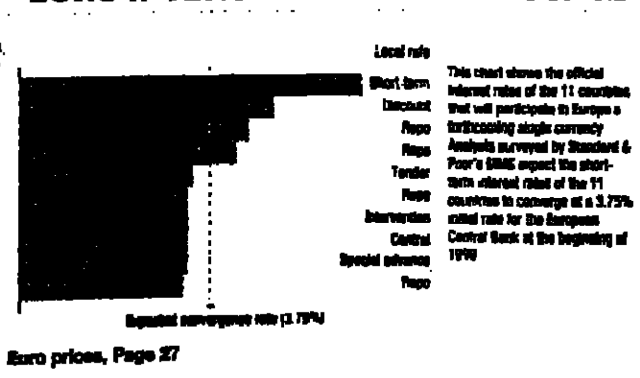
Bankgesellschaft Berlin, German banking group, scaled back its expectations for profits this year following a poor performance in the first five months. Page 23

Orkla, Norwegian food and drinks conglomerate, saw underlying profits undermined in the first four months by reduced beverage sales and sharply lower contributions from the company's food businesses. Page 23

Real Madrid, Spanish football club that won the European Champions Cup last month for the first time in 32 years, is set to break new ground with a financing sales pitch on the internet. Page 24

Euro Prices
A comprehensive statistical guide to the new euro currency zone, covering foreign exchange, bond and equity markets.
Page 27

EURO INTEREST RATE CONVERGENCE



Euro prices, Page 27

Russia favours crisis aid

Nemtsov says international help would speed recovery on eve of Yeltsin's Bonn visit

By Chrystia Freeland in Moscow

The Russian government said on the eve of president Boris Yeltsin's visit today to Bonn that international financial aid would speed recovery from the crisis that has gripped the country's markets.

Russia's financial turmoil will top the agenda in Mr Yeltsin's talks with chancellor Helmut Kohl. There is speculation that Germany and the US could lead an international aid effort – perhaps through the International Monetary Fund – for Moscow.

Deputy finance ministers of the Group of Seven leading industrial nations are also expected to address Russia's economic troubles when they gather in Paris on Wednesday for a two-day meeting.

Boris Nemtsov, Russia's reformist deputy prime minister, who is one of Mr Yeltsin's favourites and the most seasoned reformer in the cabinet, said an international rescue package would speed the recovery of Russia's jittery economy.

However, he added that even without outside support the government would overcome the crisis.

His comments follow one of the most serious financial crises suffered by Russia's young market economy, as fears grew that the rouble might devalue and interest rates climbed briefly to 150 per cent.

"With regard to the rendering of aid, for us it would be a real support, a help," Mr Nemtsov said in an interview. "Various forms of support are possible, ranging from moral, as [US President Bill] Clinton gave, to financial. All forms of support will positively influence the situation.

"Independent of what decision is taken by those [international financial] institutions, Russia will do everything in order to stabilise the situation, and it has done it already, without any help," he said.

Russia is also hoping to fill its coffers through privatisations, the most prominent of which is the sale next month of Rosneft, the largest Russian oil company still to be sold off.

Mr Nemtsov said western companies might bid for Rosneft independently, without a Russian partner. That would be an important precedent for a privatisation process tarnished by deals between the state and Russian insiders.

"I have signals that western companies, without Russian partners, are ready to participate," Mr Nemtsov said. "This is crucial. I would be pleased."

He added that he hoped the Rosneft sale would convince outsiders the Russian government was committed to transparent and even-handed privatisations.

The attempt to sell Rosneft last month failed when bidders balked at the $2.1bn starting price. Last week, the government lowered the price to $1.6bn.

World Cup referees listen attentively during their visit to the French Assembly yesterday, three days before the start of the tournament. Picture AP

World Cup insurance set to be securitised

By Christopher Adams, Insurance Correspondent

Fifa, soccer's world governing body, is to tap global financial markets to cover itself against the risk of a future World Cup being cancelled. In what is thought to be the biggest insurance deal of its type, Fifa has sought coverage totalling SFr4.5bn ($3bn) for the next two competitions in 2002 and 2006.

The escalating cost of television rights and advertising space has inflated Fifa's financial exposure. The organisation will also need coverage against cancellation because of earthquake or political instability as the next World Cup is being hosted jointly by Japan and South Korea.

The sum insured is so large the sports insurance market will not be able to cover all of it. Much of the risk, therefore, may have to be placed in the capital markets.

Albingia, the insurance subsidiary of Guardian Royal Exchange based in Germany, will arrange the cover for Fifa.

Juergen Goerling, assistant general manager, said Albingia had begun talking to leading investment banks in the US and Switzerland hoping to securitise up to SFr1bn of the risk. If successful, the transaction would be the largest to date that transfers insurance risk to equity and bond markets.

"We'll have to go to the financial markets. We have no other choice," he said. Securitisation is likely to involve the insurer issuing "catastrophe bonds", one of the capital markets' newest products. Issuers retain the right to withhold interest payments if a given catastrophe occurs. Otherwise investors receive returns slightly higher than those available from blue-chip corporate bonds.

Albingia, which has insured the World Cup competition since 1974, will seek co-insurers and reinsurance coverage.

The sum insured for this year's competition is about SFr630m. This includes lost income from ticket sales, marketing and television rights if matches are cancelled. Fifa has purchased protection against disruption to broadcasts and other liabilities.

Although the 2.5m spectators probably do not know it, purchase of a ticket provides them with personal accident and legal expenses insurance.

Should they be injured, they can claim up to SFr100,000 each. Redress against an attack by hooligans will be available free of charge through the law courts.

Delegates for Fifa's 51st Congress met yesterday in Paris to elect a new president. Today's vote between candidates, Lennart Johannson, president of European regional body Uefa, and Joseph "Sepp" Blatter, Fifa's general secretary, is likely to be close.

Editorial Comment, Page 15
Observer, Page 15

CONTENTS

Full contents and Lex: back page

ABN Amro loses Générale battle

By Neil Buckley in Brussels and Gordon Cramb in Amsterdam

ABN Amro, the Dutch bank, was forced to withdraw from the multi-billion dollar bidding war for Belgium's biggest bank, Générale de Banque, after a dramatic all-night boardroom battle rare in Belgian history.

In tactics more usually associated with US bids, Générale ruled the ABN Amro bid hostile and activated a "poison pill" defence after rival bidder Fortis raised its offer.

The surprisingly swift end to Europe's biggest banking takeover battle came after the Belgo-Dutch financial services group increased its offer 16 per cent to BFr28,675 ($781) per share – valuing Générale at about $13bn – on Friday night. That topped ABN Amro's 10-day-old bid of BFr27,095 per share, worth $12.2bn, by 6 per cent.

At the all-night emergency meeting, Générale's board increased the bank's share capital by 10 per cent and sold the shares to Fortis.

That took the stake held by Fortis – which was already pledged a third of the bank's capital by three main shareholders before ABN Amro's surprise bid – to 41 per cent.

The Générale board's robust tactics caused Jan Kalff, ABN Amro chairman, to telephone Hans Bartelds, Utrecht-based co-chairman of Fortis, on Saturday afternoon to say ABN Amro would not pursue its offer.

ABN Amro insisted its bid was not hostile, and had the support of Générale's senior management, and that unfriendly takeovers were not its policy. It described as "flimsy" arguments put forward by the Générale board.

Mr Kalff also criticised the Belgian financial regulator for slowness in clarifying the "rules of the game".

"There was no chance to fight a fair contest. The Belgians wanted a Belgian solution. We came to the conclusion that we could better put our money and our energy elsewhere," he said.

But a member of Fortis's team insisted the battle had been fair. "[Fortis's] is the best offer on the table for shareholders, and this is the best strategic project, as determined by the board."

A Fortis-Générale merger will create a bancassurance giant capitalised at about $35bn, among Europe's top 15 banks and insurance companies. A tie-up with ABN Amro would have created a bank capitalised at about $47bn, among Europe's top three.

Générale directors voted 18-7, with one abstention, to rule the ABN Amro bid hostile, and 17-9 for the poison pill, during a difficult 14-hour meeting.

Lex, Page 18

TI may sell memory chip operations to Micron

By Louise Kehoe in San Francisco and William Lewis in New York

Texas Instruments, a leading US semiconductor manufacturer, is understood to be in talks to sell its memory chip manufacturing operations to Micron Technology, another US chipmaker.

The sale would make Micron of Idaho the largest US producer of Dynamic Random Access Memory (D-Ram) chips, the basic memory devices used in all types of computers.

However, the terms under discussion could not be established yesterday and people familiar with the talks cautioned that any deal could be some weeks off.

TI has D-Ram manufacturing operations in the US, Italy and Japan. These include joint ventures with other chipmakers and wholly owned facilities. Analysts estimate annual revenues from these operations last year at about $850m.

The company has been scaling back its involvement in the D-Ram market over the past few years in favour of more profitable digital signal processor product lines.

In March it sold its 33 per cent stake in a D-Ram joint venture with Acer of Taiwan to Acer.

D-Ram prices have plunged by some 80 per cent over the past year as supply outstripped demand. Prices for 16-megabit D-Rams have fallen from about $4 four months ago to as little as $1.30, according to industry analysts.

However, recent moves by some of the world's largest producers in South Korea to halt production temporarily have raised hopes that prices may stabilise.

Moreover, cuts in capital spending by Asian producers could result in a world shortage of D-Rams by 2000, according to analysts at Dataquest, the US market research group.

Micron, which specialises in D-Ram production, is understood to be particularly interested in acquiring a TI D-Ram factory in Dallas, Texas.

TI became the sole owner of the plant earlier this year when Hitachi pulled out of a joint venture with TI.

Goldman Sachs is understood to be advising Micron on the prospective deal, while Texas Instruments is believed to be advised by Morgan Stanley Dean Witter.

هكذا من الأصل

BALKAN CONFLICT BLAIR TALKS TO CLINTON AND YELTSIN

West takes steps to douse Kosovo flames

By David Buchan in London and Peter Norman in Bonn

The prospect of international military action in Kosovo moved nearer yesterday as Britain and the European Union prepared further diplomatic and economic measures against Belgrade and as ethnic Albanians called for general mobilisation against the Serb crackdown.

Tony Blair, the UK prime minister, discussed the growing south Balkan crisis on the telephone with Presidents Bill Clinton and Boris Yeltsin, having told his cabinet late last week that Nato now had to be ready to use force in Kosovo, as well as to deploy troops around it.

The UK is circulating a draft resolution among members of the United Nations Security Council which would authorise "all necessary measures" under Chapter Seven of the UN charter which allows international intervention to meet a threat to peace. But a UK official cautioned that at this stage all options were open, and that Nato might limit its action to preventing the rapidly escalating Kosovo conflict from spreading to neighbouring Albania and Macedonia.

As current president of the EU, Mr Blair said over the weekend he had consulted his EU partners and been "struck by the level of agreement in favour of a tough line". This will be reflected at today's meeting in Luxembourg of EU foreign ministers, who are due to authorise an investment ban on Yugoslavia, of which Serbia and Kosovo are part.

For the first time, the EU is moving ahead of the six-nation Contact Group, which comprises the US, Russia, Britain, France, Germany and Italy and which up to now has taken the diplomatic lead on Kosovo. But the US now appears chastened by the collapse of the Kosovo peace talks that it sponsored and ready to let the EU take the initiative, while Russia has traditionally sympathised with the Serbs.

Any UN Security Council resolution will need Russian acquiescence, and this is likely to be a prime focus of talks that Yevgeny Primakov, the Russian foreign minister, is to hold in Bonn with Klaus Kinkel in Bonn tomorrow and on Friday in London with other members of the Contact Group.

Yesterday Mr Kinkel made clear the line he will press Mr Primakov on. He called for a broad international freeze on investment in Yugoslavia and on its assets abroad, and for the acceleration of Nato studies into deploying troops around Nato's borders. Mr Kinkel said Germany was receiving around 2,000 Kosovo refugees a month in addition to the 140,000 already there.

A refugee family from Kosovo crosses into Albania Reuters

Robin Cook, the UK foreign secretary, yesterday gave new estimates of the scale of the fighting, which he said had made 50,000 people homeless in the past week and brought the death toll since March to 200-300.

He said that President Slobodan Milosevic had "over the past week crossed a threshold", and warned that the international community would respond appropriately.

KOSOVO FLASHPOINT SEPARATIST REBELS URGE MOBILISATION AND FOREIGN INTERVENTION

Serb offensive turns villages to rubble

By Guy Dinmore in Belgrade

The peace process initiated by US envoy Richard Holbrooke in Serbia's war-torn province of Kosovo has collapsed and can be rescued only by direct foreign involvement, a member of the Kosovo Albanian negotiating team said yesterday.

Veton Surroi, editor of the Albanian-language newspaper Koha Ditore, described Mr Holbrooke's initiative as "basically finished" following the latest offensive by Serbian forces against separatist rebels of the Kosovo Liberation Army (KLA).

About 50,000 ethnic Albanians have been uprooted by the operation, which has reduced villages to burning piles of rubble along Serbia's border with Albania. The Kosovo Albanian side says 40 ethnic Albanians are confirmed dead but 200 are missing. Mr Surroi said he feared they had been executed.

Mr Holbrooke, who negotiated the end of the Bosnian war in 1995, brokered a first meeting on May 15 between Slobodan Milosevic, Yugoslav president, and Ibrahim Rugova, pro-independence leader of the main Kosovo Albanian party. In return, the US and its western allies lifted an investment ban on Serbia, the dominant republic in Yugoslavia.

But negotiating teams have met only once since then. The Kosovo Albanians cancelled a second round last week in response to the Serbian offensive.

Mr Surroi said for the peace process to be revived there had to be direct foreign mediation, a tough response by western governments to what he called "war crimes" and the return of refugees to their homes. Mr Milosevic has ruled out international mediation.

Some diplomats believe the crisis has gone beyond the point of no return and that only direct Nato intervention can halt the fighting. The conflict is widening each week. The UN refugee agency has registered some 11,000 refugees who fled to Albania. The official Serbian newspaper, Politika, yesterday said Yugoslav troops had clashed with ethnic Albanian "terrorists" on the border with Macedonia, killing two rebels.

About 350 US soldiers are based in Macedonia, some along the border with Kosovo, as part of a UN monitoring mission established during the break-up of former Yugoslavia. Macedonia has a large ethnic Albanian minority that demands greater autonomy or outright independence.

Despite the loss of several villages in south-west Kosovo, the KLA is growing in numbers and confidence and still controls large areas. Serbian police say privately they have been taken aback by the extent of KLA resistance to the operation, which involves armour, artillery and helicopters. Independent Serbian media reported that over 300 policemen had refused to go to Kosovo.

Mr Surroi's newspaper published a call to arms by the KLA. The militants said it was the duty, "now or never", for men aged from 18 to 55 to take up a gun and resist the Serbian offensive in south-west Kosovo.

Russia's reformers riding the financial storms

Boris Nemtsov sounds an optimistic note in an interview with **Chrystia Freeland** and **John Thornhill**

Russians may not yet have the knack of ordinary, bourgeois life, but they seem to thrive in crisis. Boris Nemtsov, the deputy prime minister and the country's most popular market reformer, is no exception.

Over the past few weeks, his youthful cabinet has ridden a financial roller-coaster with interest rates briefly soaring to 150 per cent and share prices diving by nearly 40 per cent. Yet, in his weekend uniform of jeans and short sleeves, chewing gum and smoking cigarettes together, Mr Nemtsov seems positively ebullient.

"We have shown the whole world that it is possible to battle a crisis," Mr Nemtsov grinned in an interview with the FT.

After a few tense days when the rouble and Russia's hard-won financial stabilisation seemed in jeopardy, the worst of the turmoil seemed to subside last week with share prices rebounding and the central bank relaxing interest rates to 60 per cent.

But Mr Nemtsov, who won national prominence as the reformist governor of Nizhny Novgorod, does not pretend the crisis is over. "If there had been no crisis, then people would begin to feel an improvement in their lives this year, but because of the crisis, to speak of some radical improvement in life, in employment, an increase in real wages, is very, very difficult."

Paradoxically, this worsening of Russia's short-term economic prospects seems to have whetted the government's reformist appetite. Mr Nemtsov, whose portfolio includes the energy sector, warns that in its stepped-up effort to cure the nation's ailing public finances, the cabinet will be relentless in collecting taxes. One top target will be the oil industry, and Mr Nemtsov has no patience with companies' complaints that the low world prices for their exports have left them with no money for the Kremlin.

"No one wants to share their money, even oil men," Mr Nemtsov explains. "But they will. You should see how they arrive at the White House [the seat of Russian government], those impoverished oil men, in their armoured cars and with so many bodyguards. So don't worry about them. They are not the poorest part of Russian society."

Nemtsov: battling a crisis

Mr Nemtsov says the government has now put legal muscle behind its tax policy. He is hopeful that three new laws – swifter bankruptcy rules; a new procedure whereby the state can claim the revenues of companies which owe taxes; and a new system whereby oil companies pay their taxes out of the same hard-currency account into which their export revenues are deposited – will give the government the levers it needs.

This tougher attitude is a revelation for a country which has been notorious for the incestuous links between its government and its magnates. Mr Nemtsov, one of the fiercest opponents of what he dubbed "bandit capitalism", says that times have changed. With the arrival of the new cabinet, led by Sergei Kiriyenko, a Nemtsov protégé from Nizhny Novgorod, Mr Nemtsov insists that the old, corrupt ties have been severed.

"Psychologically, there has been a change. Many [in the government] have come to consider it dishonourable to take any decision in favour of a particular [economic] clan ... I connect this with the appearance of the new government."

Mr Nemtsov gives much of the credit for this invigorated performance to Mr Kiriyenko. "I think that he conducted himself brilliantly during the crisis. I think that he is a very focused and responsible man ... He has not made one serious mistake." Mr Kiriyenko, he says, is a hands-on manager, with a flair for working with the old Soviet machine], and a leader whose energy has forced the whole government to work harder.

No matter how hard the ministers work, though, their biggest challenge is to maintain the support of Russia's sometimes fickle president. For now, Mr Nemtsov is confident that the team, and its austerity plan, have President Boris Yeltsin's full backing. Mr Yeltsin, he says, understands the country's economic woes and is "ready for battle".

The future, which some observers believe may include the anointing of Mr Nemtsov as the president's chosen successor, is less clear. The current administration, Mr Nemtsov agrees, could be called a "kamikaze government". Yet he hopes that if it rides out the next few stormy months, it will run Russia until the presidential showdown in two years' time: "If we survive the autumn, then we will last until 2000."

Euro pressures help spur French savings reforms

By Andrew Jack in Paris

The French government is to allow banks freely to determine interest rates payable on a range of taxable savings accounts, in a significant step towards the deregulation of the financial services sector imposed by creation of the single european currency, the euro.

It is also to cut the interest rates on a number of tax-free savings products, and establish an advisory committee which will play an important role in determining the level of the rates paid to depositors in the future.

The action comes as the authorities have been coming under pressure to reduce interest rates on products that distort competition and create a heavy financing burden on the state.

The French government still directly controls the interest rates on savings schemes which contain nearly FFr3,000bn ($500bn) in deposits and which often pay significantly above market rates.

Bankers argued yesterday that the new European Central Bank would have forced the government to deregulate the system if it had not taken the initiative on its own, and that the creation of the euro would otherwise have put an unbearable pressure on the system by allowing other Europeans to open tax-free accounts supported by the French state.

Interest payable on the Livret A, Livret Bleu and Codevi tax-free schemes – which currently hold over FFr1,000bn in deposits – will from June 15 be cut from 3.5 per cent to 3 per cent, and on the PEL scheme from 4.25 per cent to 4 per cent.

An estimated 47m French hold Livret A accounts, making the reduction in rates particularly sensitive. It has been reduced just twice in the last 12 years, each time triggering a considerable political backlash.

The decision to bring rates more in line with the market is also a competitive blow to the Post Office, Crédit Mutuel and the Caisse d'Epargne savings network, which have until now had the exclusive right to distribute some of these products.

However, the government has packaged the decision as a way to reduce the cost of financing low-income housing – the purpose for which the Livret A was created – and used Jean-Claude Gayssot, the Communist transport and housing minister, to announce the measure.

The rates on a series of taxable savings products – which currently hold over FFr300bn and are paying the government-determined rate of 3.5 per cent – will in future be left to the discretion of the banks.

Banks will also in future be free to set the interest rate payable on the Livret Jeune savings scheme – currently standing at 4.75 per cent – as long as the rate remains above the level of the Livret A.

The committee to be established to advise on future rates for the tax-free schemes is likely to include representatives of low-income housing operators, savers, consumers and small businesses.

FINANCIAL TIMES

Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell Chairman, and Alan C. Miller Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.

GERMANY:

Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg (ISSN 0174 7363). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:

Publishing Director: P. Maravigna, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:

Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

NEWS DIGEST

AIR FRANCE STRIKE

Jospin backs airline management's stance

Lionel Jospin, the French prime minister, has offered to help break the deadlock in the seven-day-old strike by Air France which has forced the state-controlled airline to ground two-thirds of its fleet, with accumulated losses of more than FFr700m ($117m).

Mr Jospin's offer came after an all-night negotiating session between the management and pilots failed early on Saturday to find a formula to end the stoppage, provoked by proposals to cut pilots' pay by 15 per cent in return for shares in Air France. Earlier, Mr Jospin met Jean-Cyril Spinetta, the head of Air France, giving a clear signal that the government backed the management. This was an important gesture from a leftwing government which has a big electoral constituency among the unions.

Although the government is anxious to see the strike resolved quickly to prevent disruptions during the soccer World Cup, which opens on Wednesday, Mr Jospin made it clear any agreement must respect the broad guidelines of Air France's plans to cut costs. Last night no new negotiating session had been arranged despite informal contacts throughout the day. **Robert Graham, Paris**

GERMAN POLITICS

Greens change course

Germany's environmental Green party yesterday backed an election manifesto that omitted unpopular policies, such as a pledge to triple the price of petrol to DM5 ($2.80) per litre in 10 years, in the hope of winning back lost support.

Joschka Fischer, the pragmatic leader of the Greens in parliament, told a special conference that the party lost the trust of the electorate at its March congress in Magdeburg when it voted for increased petrol prices and against the presence of German troops in Bosnia. After seeing their opinion poll ratings tumble from about 11 per cent to 6 per cent, the Greens focused yesterday on the agenda for the next four years, in which they hope to be the junior partner in a coalition with the opposition Social Democrats.

While still calling for higher energy taxes, the Greens stressed the revenues should be used to cut unemployment by lowering non-wage labour costs. They also authorised Green MPs to back a continued military presence in Bosnia. **Peter Norman, Bonn**

POLISH REFORMS

Premier calms dissenters

Poland's government narrowly avoided the collapse of its local government reform by winning a face-saving vote in the Sejm, parliament's lower chamber, for a cut in the present 49 provinces to 12 provinces. But Jerzy Buzek, the prime minister, only obtained backing by promising that the government would include an additional three provinces when draft legislation came to be considered by the Senate.

The government climb-down followed strong feeling in several regions such as Opole in the south and Bydgoszcz in the north-east, which have been fighting to preserve their status as separate units.

Most important, the fight against the changes revealed the existence of strong opposition on the nationalist rightwing of the Solidarity Electoral Action (AWS), the senior coalition partner, to Marian Krzaklewski, the Solidarity trade union centre-right alliance's leader.

The AWS is supported in parliament by the 60 strong pro-business Freedom Union and the two parties currently enjoy a slim majority. **Christopher Bobinski, Warsaw**

REGIONAL POLICY MEETING MINISTERS TO BE TOLD OF EU BUDGET REFORM AND PLANNING POLICY PROBLEMS

Aid rows 'threat to enlargement'

By Lionel Barber in Brussels and Brian Groom in London

European Union enlargement to include central and eastern Europe risks being delayed unless member states stop stalling on reforms to the regional aid budget, Monika Wulf-Mathies, EU regional affairs commissioner, will warn this week.

Mrs Wulf-Mathies will tell EU regional policy ministers, meeting in Glasgow today and tomorrow, that it is time to abandon the pretence that enlargement can go ahead while maintaining the status quo.

Britain, which holds the EU presidency, is fighting what it sees as an unfair cut in its share of aid after 1999. The "disaster scenario", whereby the UK could have lost most of the £1.5bn ($2.5bn) a year it receives, receded in March when the Commission proposed a safety net for member states, but it could still lose several hundred million pounds.

Mrs Wulf-Mathies – who accuses member states of pursuing "vested interests" – is pressing for a reduction in the levels of population eligible for regional aid, and binding contracts with member states to stop waste and inefficiency in the disbursement of funds.

The regional aid budget is the second biggest spending item after the Common Agricultural Policy, and the proposed reforms are causing tensions between north and south as well as among rural and urban regions which could lose out.

The Commission wants to agree verifiable targets for the absorption of funds, fulfilment of contracts, and creation of jobs in run-down industrial areas receiving money from Brussels.

But member states are reluctant to give the Commission more discretion even though there is broad agreement on the need for more efficient use of funds, which are used for building roads and bridges as well as training and other projects.

Mrs Wulf-Mathies wants the UK presidency to press for agreement on an administrative shake-up of the regional aid budget at next week's EU summit in Cardiff. This would be the necessary prelude for more difficult negotiations on the share-out of funds.

Without progress, the Commission is worried that the chances of a wider deal on the EU budget between 2000 and 2006 will slip beyond the informal deadline of next spring, ahead of European Parliament elections in June.

A senior EU diplomat said the regional aid reforms were already being held hostage to Germany's elections in September. The last opportunity for a deal would be a special summit under the German presidency next March, but failure would mean "a lost year" in preparations for enlargement.

Margaret Beckett, the UK trade and industry secretary, who will chair tomorrow's session, hopes to make progress on administrative reforms, but Britain still wants changes in the way aid is shared out.

It wants Objective 2, covering industrial and rural areas, allocated according to gross domestic product rather than unemployment. It also wants special help for Northern Ireland and the Scottish Highlands and Islands, which will lose Objective 1 status, the highest aid category.

Wulf-Mathies: abandon pretence

Cross-border harmony on land use sought

By Brian Groom

Britain will press its 14 European Union partners today to agree new proposals to co-ordinate their planning policies.

It will table a document which acknowledges that, as EU states move towards closer economic and political union, the way each uses land and controls development affects the others.

Pressures are already being felt in border areas. A new bridge between Denmark and Sweden, for instance, has altered shopping patterns: Denmark restricts out-of-town shopping, so retailers have set up shop on the Swedish side.

In addition, member states face common issues in areas such as the Alps, the Danube, and the Baltic and Mediterranean seas.

Richard Caborn, UK planning minister, will present the first complete draft of the European Spatial Development Perspective to EU regional policy ministers meeting in Glasgow.

It proposes common approaches to housing, transport, urban renewal, rural issues, economic development, water supply and telecommunications.

The policy will affect UK debates such as that over building homes on greenfield sites. Other states face similar pressures from the explosive growth of single-person households and urban sprawl.

The document is the culmination of a five-year attempt to reach agreement on planning issues and is a key priority for Britain's presidency of the EU.

Some members have been wary of extending the EU's reach into national governments' territory.

The document will be non-binding, but may eventually lead to pressure to arrange binding agreements on issues such as cross-border consultation.

The UK sees itself as an "honest broker" because it has no land borders apart from that with Ireland. Mr Caborn has held meetings with doubters such as Spain, which devolves planning to regional governments, and Portugal. Final agreement is scheduled for early next year.

The document pursues EU objectives of sustainable development, competitiveness and social cohesion. It tries to ensure peripheral areas do not lose out when transport routes and telecommunications networks are established.

It encourages towns and cities to co-operate with one another, to maximise their strengths and create regional transport networks.

It proposes ways to reduce urban sprawl and promote mixed-use developments, avoiding the growing segregation between rich and poor which creates social exclusion.

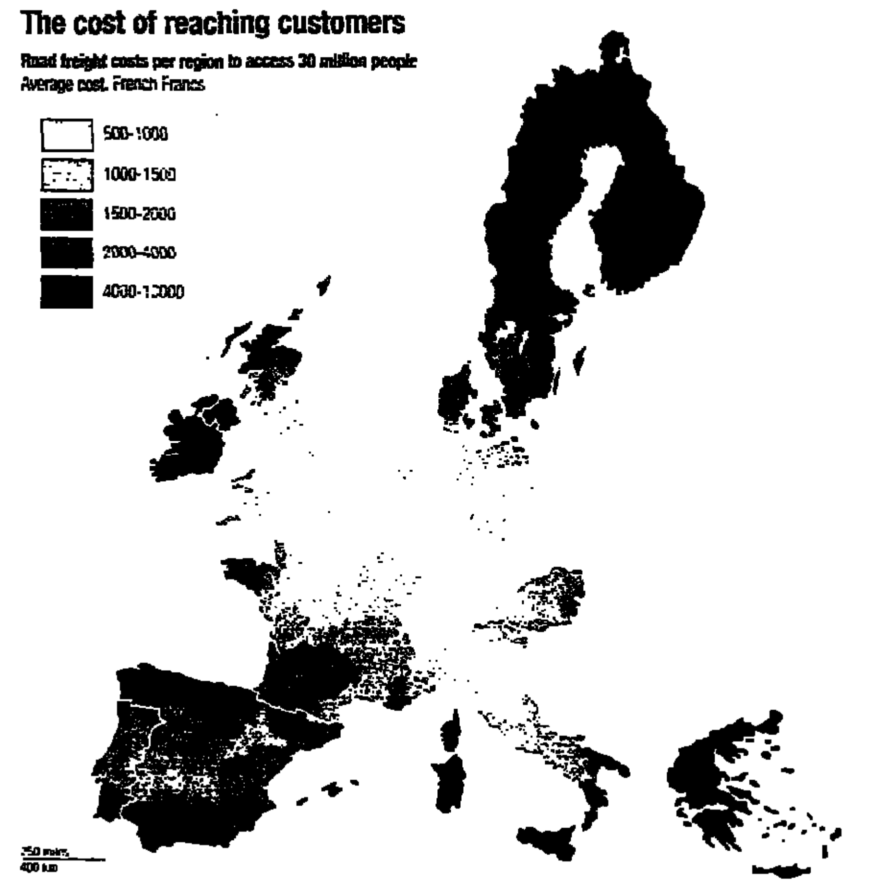
It supports diversification of struggling rural economies, often by joining forces with local towns.

The document charts the growth of "gateway" cities to the EU, such as Lisbon, and "world cities" such as London and Paris.

Lille, it says, is emerging as a "major node" in the development corridor between the UK and continental Europe, while Barcelona is becoming a metropolis for southern Europe.

Development, it says, is increasingly taking place along "Euro-corridors" such as that from Glasgow through London to the Transmanche area of northern France and Belgium, and that from Rotterdam via the Ruhr, Rhine, Main and Stuttgart to Munich.

Caborn: will present draft



European microchip prices 'endanger competitiveness'

By Peter Marsh in London

Collusion among microchip makers to charge higher prices in Europe than for the same products in the US and Asia is putting at risk the development of Europe's information technology industries and threatening millions of jobs, according to a leading UK economist.

In a paper published today by the Foundation for Manufacturing and Industry, a UK research group, Walter Eltis of Oxford University says the pricing arrangements make it harder for a range of microchip-using industries in Europe to compete against US and Asian rivals, undermining economic growth.

Mr Eltis is a former director of the National Economic Development Office and was at one time economic adviser to Michael Heseltine, trade and industry secretary in the last Conservative government.

He says agreement by the semiconductor producers of Europe, Japan and Korea to exchange pricing information "may facilitate the establishment of a pricing structure where they agree to charge higher prices in Europe" than in other parts of the world, including the US.

According to Mr Eltis, the European Commission should institute a study of microchip prices across the continent with a view to bringing these down to world levels.

"For Europe fully to exploit [information technology] opportunities, it is vital that more intense competition from Asia's [electronic] component industries, boosted by their now lower currencies, will be reflected in falling microchip prices in Europe," he says.

Mr Eltis says the higher microchip prices follow the imposition during the 1980s and 1990s of tariffs of up to 17 per cent on electronic components imported into the European Union. These were instituted to protect European-based makers of these components from the effects of worldwide competition.

Even though agreement on abolishing these tariffs was reached in 1996, "Europeans have become accustomed to paying higher prices, so suppliers may fail to pass on the full benefits of the elimination of tariffs," he says.

The high relative prices for microchips affects industries from robots to washing machines, with the reduced competitiveness possibly leading to up to 3m lost jobs in western Europe by the middle of next decade, says Mr Eltis.

The Information Technology Revolution and Europe, by Walter Eltis. Foundation for Manufacturing and Industry, 24 Buckingham Gate, London SW1E 6LB. £10.

ETHIOPIAN CRISIS *MORE DIE IN AIR RAIDS AND ARTILLERY BOMBARDMENTS ON CAPITAL OF ASMARA AS BORDER DISPUTE ESCALATES*

Foreigners flee as Eritrea raids grow

By Michaela Wrong in Asmara

Hundreds of foreigners scrambled to escape Eritrea's capital, Asmara, yesterday after a bloody weekend of air raids and artillery bombardment took the government's month-long border dispute with Ethiopia to a new and dangerous dimension.

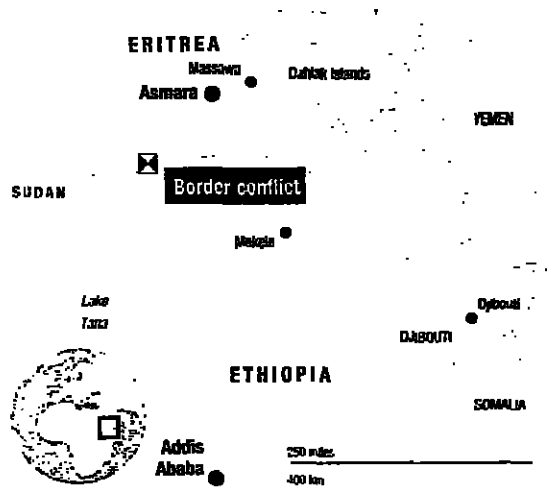
Western nations had hoped that the events of Friday, when at least 44 Ethiopians died in an air strike on the northern town of Mekele and Asmara came under jet attack, might bring the former Horn of Africa allies to the negotiating table.

Instead the bloodletting appeared to have widened the rift between the two neighbours, with the original issue in dispute – demarcation of their ill-defined mutual border – now in danger of being lost in a surge of nationalist sentiment.

Appalled by images of children's bodies being carried through the streets of Mekele, residents in Addis Ababa were swearing revenge.

Eritrea's President Isaias Afewerki also appeared to hold out few hopes of compromise. "At the moment, I'm not seeing any light at the end of the tunnel," he said in Asmara.

Ethiopian women grieve in Mekele Reuters



Relations between the two countries deteriorated further yesterday when 57 staff and dependants from Eritrean diplomatic missions in Ethiopia arrived in Cairo after being expelled, leaving behind the ambassador and two other diplomats.

Both governments blamed the other side for the decision to take a war that had until Friday been restricted to a ground offensive at several points along the frontier to a new level. The move effectively destroyed what many had regarded as an unshakeable friendship forged when Eritrean and Ethiopian guerrilla fighters together toppled the Marxist regime of Mengistu Haile Mariam in 1991. The leaders of the two countries, related through marriage, are now said to be communicating through third parties.

Expatriates, many of whom came to Asmara to help rebuild a country devastated by the 30-year war of liberation, flocked to the airport in the early hours of yesterday to take advantage of a lull in hostilities agreed by Ethiopia's prime minister, Meles Zenawi.

Flights sent by the US, Britain, Germany, Russia and Italy airlifted up to 2,000 foreign nationals – including 200 Ethiopians – to Saudi Arabia, Djibouti and Egypt.

They left an ominously subdued highlands capital. The twittering of swallows and voices of children playing in back yards was occasionally interrupted by the sound of jets passing overhead.

The airport, a 10-minute drive out of town, was heavily guarded and barricaded off, with a military helicopter parked on the runway to close off access to the civilian terminal. It was briefly moved to one side to make way for an aircraft of arriving journalists.

On Saturday the terminal had been the target of an Ethiopian jet fighter attack for the second day running as Addis Ababa tried to exploit the air superiority it enjoys over its former northern province.

But the attempt has been a costly one: between two and three Ethiopian fighters have been downed by Eritrean artillery, while Eritrea has lost only one Mig.

Ethiopia, whose forces outnumber Eritrea's by about three to one, appeared to be doing better on the ground yesterday after a temporary setback.

A foreign ministry official said Ethiopian troops had recaptured the border town of Zalembessa, defeating a brigade-strength Eritrean force and chasing them back across the border.

Susan Rice, assistant US secretary of state for Africa, made it clear she had not given up hopes for the four-point peace plan jointly drawn up with Rwanda, which both governments appeared to have accepted before the sudden escalation in hostilities. "The peace recommendations" constitute "a reasonable basis for a peaceful resolution," she said in Burkina Faso. But there were few signs the two governments were listening.

Intel may become next antitrust target in US

The FTC votes this week on whether to bring charges against the world's largest chipmaker, reports Louise Kehoe

Intel, the world's largest chipmaker, is set to become the next target of Washington antitrust regulators this week when the Federal Trade Commission (FTC) meets to vote on whether to bring charges against the company.

Coming on the heels of the Justice Department's antitrust case against Microsoft, the FTC vote raises the prospect of two of the most powerful US high-technology companies – the world leaders in chips and software – both being forced to defend their business practices in Washington courtrooms. .

The scope of the cases against the two companies and the legal processes expected to be follow are very different. Microsoft faces broad charges of anti-competitive behaviour that are scheduled to be argued before a federal judge starting in September.

In contrast Intel – if the FTC votes to act against it – will face very specific charges relating to its refusal to share intellectual property with some of its customers in the computer industry.

The case is likely to be heard initially by an administrative law judge whose ruling would be reviewed by the Commission.

Only then, after perhaps a year of arguments behind closed doors, might the case move into the federal court system.

Intel, like Microsoft, may face a lengthy and bruising legal battle that could be damaging to its reputation as a technology leader, distract its managers and create uncertainties about its future prospects.

The odds are high that the four members of the FTC – a fifth position is vacant – will vote to take action against Intel, according to industry and legal experts.

Earlier this year, the FTC determined that Intel was a "monopolist" because it held a dominant 90 per cent share in the market for microprocessors used in personal computers.

Last week the commission's staff lawyers recommended that the chipmaker be charged with abuse of market power in its dealings with certain computer companies including Intergraph, Digital Equipment and Compaq Computer.

In April, a federal judge in Alabama ruled against Intel in a dispute with Intergraph that is expected to be a central theme in the FTC's anticipated antitrust complaint.

Intergraph filed a patent infringement lawsuit against the chipmaker in November, seeking an injunction to halt Intel's microprocessor sales. Intel responded by withholding from Intergraph samples of new microprocessors and information in advance of general availability of the chips.

Intel does not dispute the facts. At issue is whether the chipmaker's refusal to provide Intergraph with advanced information, and similar moves in disputes with other customers, constitute a violation of US antitrust laws which place an "affirmative duty" on monopolists not to "harm competition" in any market.

Intel, like Microsoft, may face a bruising and lengthy legal battle

Intergraph alleges that Intel is dulling competition in the computer market by selectively revealing information about new chips.

The FTC is expected to pick up this theme and demand that Intel distribute information more evenly among its customers. Intel is so dominant in the microprocessor market that its intellectual property may be ruled to be an "essential facility" without which computer companies are handicapped.

However, Intel maintains that its business relationship with Intergraph was changed by the lawsuit giving it the right to end an agreement giving the computer maker early access to microprocessor product information.

The chipmaker shares early product information with only about 20 of its largest customers which undertake to assist in testing prototype chips.

If forced to share information evenly with all of its hundreds of customers, Intel would have to undertake all of this testing itself and release information and samples of new products at a later stage.

Legal experts say the case would set a precedent by forcing a dominant company to share intellectual property with its customers and ultimately may end up before the US Supreme Court.

Battle flares up over rules on derivatives

By Nikki Tait in Chicago

A regulatory battle over the large and fast-growing "over-the-counter" (OTC) derivatives market is expected to resurface this week when the main players testify before a congressional committee in Washington.

On Friday the Federal Reserve Board, the US Treasury and the Securities and Exchange Commission joined forces, urging Congress to pass immediate, temporary legislation that would maintain the status quo in the OTC industry.

OTC derivatives are risk-management contracts, such as interest rate or currency swaps, negotiated privately between sophisticated financial institutions. The notional value of outstanding contracts has been put at about $28,000bn. The legislation, if passed, would halt a far-reaching review of the OTC market initiated last month by the Commodity Futures Trading Commission (CFTC), which oversees "exchange-based" futures markets.

In a joint letter, Robert Rubin, Treasury secretary, Alan Greenspan, chairman of the Federal Reserve Board, and Arthur Levitt, the SEC's chairman, said the legislation was essential "to provide time for Congress, the regulatory community and other interested parties to consider the important regulatory issues involved".

Several years ago, the CFTC largely exempted swaps from its oversight.

The agency now claims the subsequent growth in the OTC industry and some of the new issues being posed – such as whether centralised swaps clearing should be allowed – means the issue should be revisited. But the review was fiercely opposed by the swaps industry, in turn supported by the SEC and Treasury.

The industry argued that the very existence of the CFTC's review could raise challenges to the legal certainty of swaps contracts.

In Friday's letter, Messrs Rubin, Levitt and Greenspan backed the swaps industry, saying they believed there were "serious questions over the CFTC's jurisdiction" and there was no intention to "allow the CFTC to impose unilaterally a comprehensive regulatory scheme for the OTC derivatives market."

Brooksley Born, CFTC chairman, is due to testify before a House committee this week and the OTC issue is expected to dominate.

صحكنا من الاجل

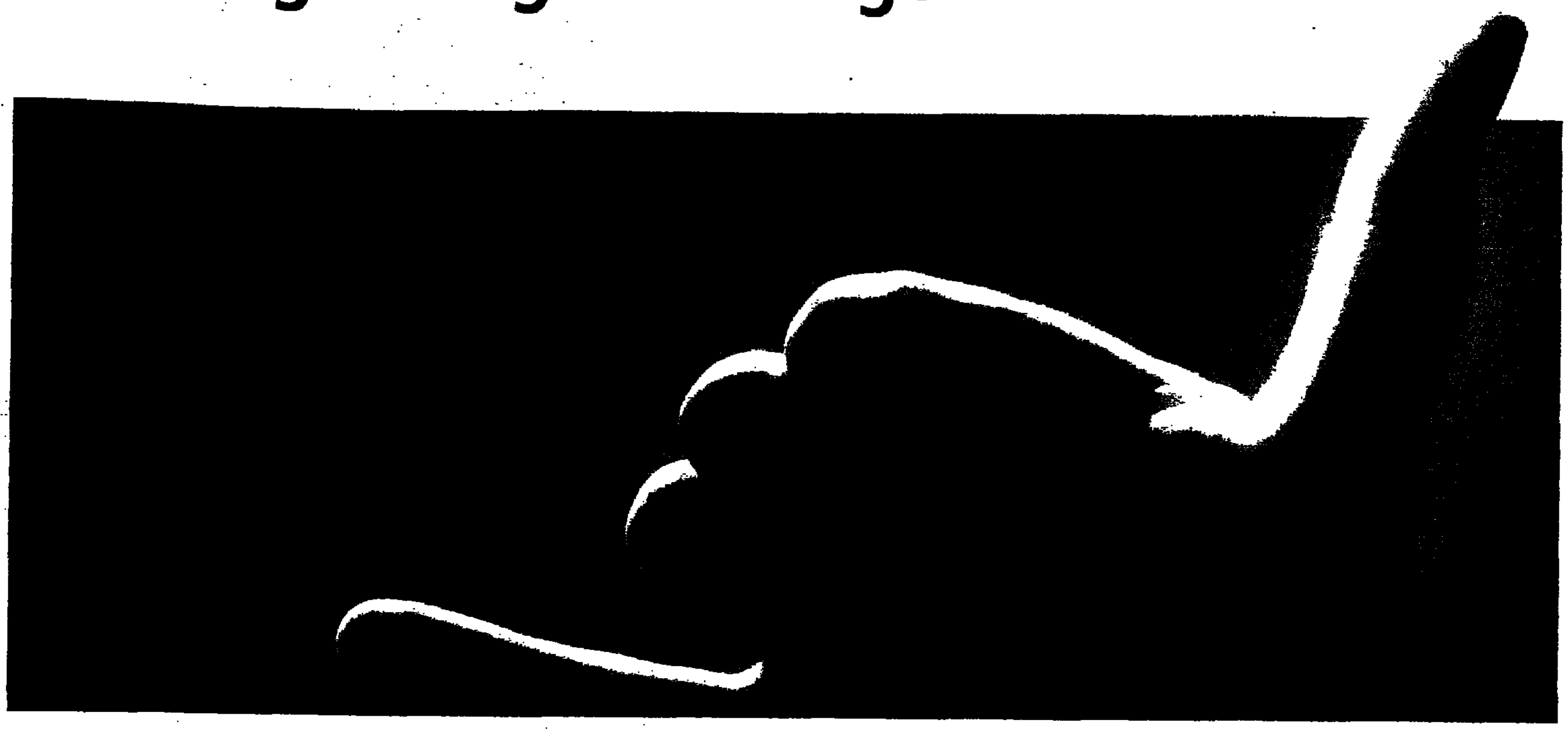
Intel may become next antitrust target in US

Louise Kehoe

Intel, like Microsoft, may face a bruising and lengthy legal battle

Battle flares up over rules on derivatives

Making strengths stronger.



We already have the edge. Now on the way to the No. 1 position in Europe.

The company.
Mannesmann operates in Telecommunications, Engineering, Automotive and Tubes & Trading. All sectors are consistently managed with a value-driven approach. Our yardstick for measuring value creation, the return on gross operating assets, reached 10.3 per cent in 1997. We have committed ourselves to reach the 15 per cent mark in the year 2000. Our medium-term objective is to reach a 20 per cent return.

Telecommunications – growing across borders.
D2 PRIVAT

Thanks to D2, Arcor and our participations – Omnitel and Infostrada in Italy, and Cegetel in France – we're well on our way to becoming the leading private telecom provider in Europe. In digital mobile telecommunications, D2 is already market leader in Germany. Today, the Telecommunications segment generates the Group's biggest earnings contribution.

ARCOR

Your advantages.
With Arcor and D2 we aim to offer all the advantages of an integrated communications company and are already realizing marketing and cost synergies for the benefit of our customers. Arcor runs a high-performance, full coverage wireline network, reaching the heart of every city in Germany. Building on the strength of D2, Mannesmann has consistently exploited the opportunities of today's Information Age. Our aim? To further sharpen our European edge.

Engineering – a top place in the world market.
With Mannesmann Demag, Mannesmann Dematic, Mannesmann Rexroth and Krauss-Maffei, we rank among the world's leading suppliers in mechanical engineering. Mannesmann Engineering is No. 1 in hydraulics, material handling and plastics machinery. We aim to optimize our product portfolio to enhance profitability and secure future growth.

Automotive – making cars more intelligent.
VDO and Sachs are innovative partners to the automotive industry. Sachs ranks among the leading global suppliers of chassis and powertrain components and systems. VDO is internationally recognized as an expert in the fields of integrated electronic information and control systems. Through its acquisition of Philips Car Systems, VDO with its new Car Communication division is poised to become one of the world's premier providers of integrated information, navigation and traffic telematics systems. Seizing every opportunity to boost current value, we aim to forge ahead with the internationalization of our Automotive sector and to strengthen our systems expertise.

SACHS

VDO

Mannesmann's strengths.

- Strong commitment to value-driven management.
- Telecommunications:
  - German market leader in digital mobile telecommunications.
  - Leading private integrated provider in European telecommunications.
- Automotive and Engineering: Outstanding global position.

Tubes & Trading – effective partnership strategy.
The Tubes & Trading sector produces and markets steel tubes for every application. In order to bolster our market position and improve our cost base, we have been incorporating all major product areas into cooperative alliances since the early nineties. The latest and most significant step in this direction is our joint venture with the French group Vallourec for seamless tubes.

Mannesmann – working for your future.

http://www.mannesmann.com

mannesmann

Pakistan seeks aid to survive sanctions

By Mark Nicholson in Islamabad

Pakistan will count on restricted agricultural imports, ambitious hopes for export growth and help from "friendly" Middle Eastern countries to ride out the effect of sanctions in the wake of its nuclear tests, says Sartaj Aziz, finance minister, who presents the government's annual budget later this week.

Mr Aziz arrived yesterday in Riyadh, capital of Saudi Arabia, escorting Nawaz Sharif, the prime minister, on a Gulf tour during which Pakistan is seeking economic aid to compensate for expected losses in international assistance resulting from US, Japanese and possible multilateral agency sanctions.

Mr Aziz said before departing that Pakistan would ask Saudi Arabia, Kuwait and the United Arab Emirates to admit more Pakistani expatriate workers as an immediate gesture of aid, to increase remittances into Pakistan's precarious external accounts.

Pakistan's 1.2m expatriate workers last year remitted $1.4bn. Islamabad is also believed to be seeking direct aid, including possible credits for oil purchases, to help weather the effects of sanctions.

With Pakistani reserves at about $1.3bn – enough to cover around five weeks' worth of imports – and independent estimates putting its debt servicing bill next year at $4.5bn-$5bn, Islamabad's immediate concern lies in finding means to keep its external accounts solvent.

Mr Aziz said Pakistan did not "at the moment" see any need to seek rescheduling of its international debts or declare a repayments moratorium, though talk of both is rife among Pakistani bankers.

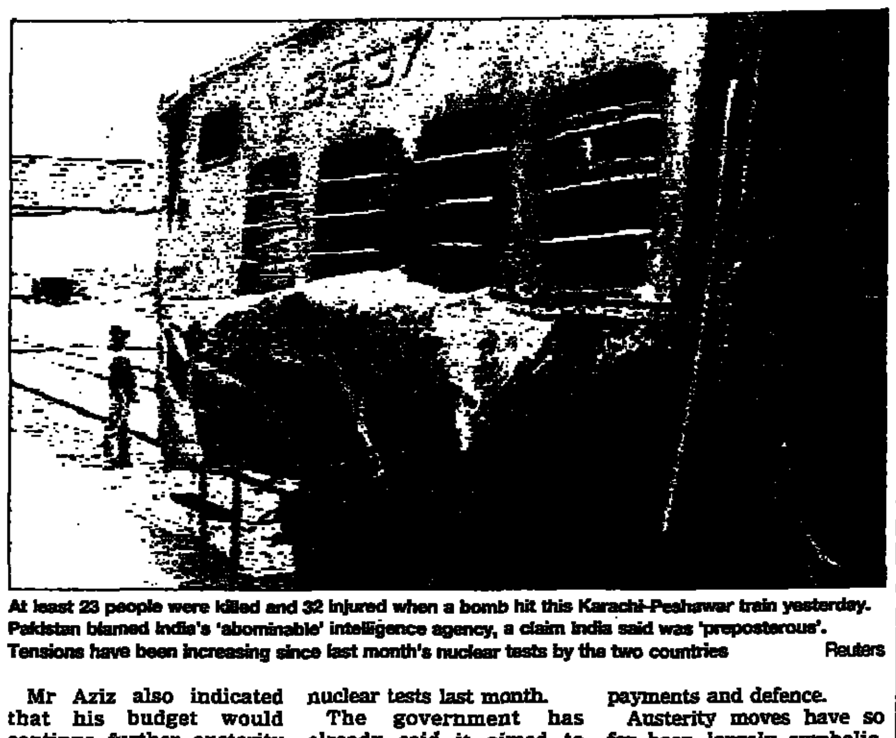
"The economic situation will be manageable unless the sanctions last beyond a year," he said. But he added: "While we'll be able to survive next year's situation, the damage to our investment climate will take far longer to revive."

Pakistan's external debt stands at around $33bn, but the country has since its last external crisis in 1996 increasingly relied on short-term and costly commercial borrowing to stay afloat.

Mr Aziz said the full cost of sanctions could not be calculated for several weeks until the World Bank, the IMF and the Asian Development Bank had decided whether to stop or slow future lending.

However, he said lending curbs from these international agencies would halve an expected multilateral aid flow of $3bn for next year, $1.5bn of aid having been approved before Pakistan's nuclear tests last month.

Without giving details of next Saturday's budget, Mr Aziz said he believed Pakistan could cover the estimated $1.5bn external account shortfall by encouraging import substitution of some agricultural imports, including pulses, edible oils, milk powder and wheat, while attempting to spur exports, which he hoped could rise by 20 per cent next year – ambitious in the light of the 4.7 per cent rise in exports for the first nine months of the current fiscal year.



At least 23 people were killed and 32 injured when a bomb hit this Karachi-Peshawar train yesterday. Pakistan blamed India's 'abominable' intelligence agency, a claim India said was 'preposterous'. Tensions have been increasing since last month's nuclear tests by the two countries Reuters

Mr Aziz also indicated that his budget would continue further austerity measures, building on a mood of "self-reliance" and "self-sacrifice" fostered by the government since Pakistan faced sanctions after matching India's nuclear tests last month.

The government has already said it aimed to halve government current spending, though independent analysts wonder how this can be achieved, since two-thirds of such spending is devoted to interest payments and defence.

Austerity moves have so far been largely symbolic, including Mr Sharif's decision to defer his occupation of a grand and newly built secretariat building and to swap his Mercedes for a Toyota.

Airline dismisses 'hundreds' of pilots

Philippine Airlines yesterday sacked hundreds of striking pilots who defied a return-to-work order, Reuters reports from Manila.

PAL had given the 620-member Airline Pilots' Association of the Philippines (ALPAP) until noon yesterday to comply or face dismissal.

"Those who remained defiant were, in accordance with law and jurisprudence, declared as having lost their jobs with the airline," the airline said.

PAL would not say how many pilots had been dismissed but an industry source said the sackings "involve hundreds".

About 300 of the pilots marched to the airline offices with signs reading: "No Compromise" and "We Can't Take It Any More". Another sign read: "You Can't Fire Us. Slaves Have to be Sold."

The pilots went on strike on Friday night in protest at the sacking of a union member and a cut in crew rest during stopovers on trans-Pacific flights. It was the fourth walkout in four years. Rank-and-file and ground crew were involved in previous stoppages.

Yesterday's firings followed the sacking on Saturday of 29 ALPAP officers and an order for the rest to show up by noon.

The strike has stranded thousands of PAL's international and domestic passengers. Management earlier warned that a pilots' walkout would worsen PAL's financial problems.

The strike was costing the company up to 150m pesos ($3.8m) a day, airline officials said. Last December it reported a net loss of 3bn pesos from April to October in the fiscal year ending March 1998.

China acts to sustain exports as growth in orders slows

By James Kynge in Beijing

Fresh signs that China's export growth may slow sharply later this year are prompting the authorities to consider measures to reinvigorate one of the main growth engines in the national economy.

One ominous sign, trade officials said, was that new export contracts rose by only 1.18 per cent in the first four months of this year, compared with the same period a year ago.

This was a significantly lower increase than the 11.6 per cent climb in total exports, which itself was 15.3 percentage points lower than during the first four months of 1997.

The trade officials said statistics on new contracts were not as faithful an indicator as actual orders, but they nevertheless served as a guide to future demand. It takes several months for contracts to be translated into export sales.

The officials said that the slowing growth in contracts was partly the result of keen competition from Asian exporters who are starting to capitalise on the sharp devaluation in their currencies.

Devaluation of China's renminbi has been ruled out by Beijing's senior leadership, so authorities are intensifying efforts to find other ways to stimulate exports, which last year contributed about 20 per cent of gross domestic product.

Wang Jun, deputy director of the newly established state coal industry bureau, said that coal exports should rise to 35m tonnes this year, up 4.26m tonnes from last year.

Certain fees charged by coal exporting ports are to be dropped and the tax rebate for coal exporters is to be raised from 9 per cent to 11 per cent, officials said.

The Industrial and Commercial Bank of China has pledged to extend RMB3bn ($361m) in loans to the China Coal Import and Export Group, the country's leading coal exporter.

Falling domestic prices and chronic oversupply in the world's largest coal-producing country are expected to lead to an intensification in international price competition as China seeks to boost its exports.

Tax rebates on exports of rolled steel, cement and some electronic machinery are also expected to be increased from 9 to 11 per cent, officials said.

The gathering gloom over China's export performance is also prompting calls for an end to a prohibition – frequently circumvented – on private companies engaging in exports. Qin Xuanren, vice-secretary general of the China Association of International Trade, said this was necessary because export-orientated state-owned companies were often less efficient than their private sector counterparts.

China appears in need of a robust export performance as the wider economy slows. Gross domestic product growth was 7.2 per cent in the first quarter, down from 8.8 per cent for the whole of 1997.

The government's greatest fear is that slowing growth will trigger social unrest as unemployment surges and pensions are withheld from millions of retired people. Official statistics last week said that by the end of March, 2.8m pensioners were owed a total of RMB4.67bn in pensions. Many had not received any welfare for six months.

Parties agree on HK economy

By John Ridding in Hong Kong

Hong Kong's main political parties will meet Donald Tsang, the financial secretary, this week to press for action to counter the territory's slide into recession.

In a rare show of unity, parties from across the political spectrum last week agreed a six-point plan, including tax cuts and rate cuts, to bolster the economy and curb rising unemployment.

The meeting, which is planned for tomorrow, comes amid growing concern over the severity of the economy's downturn and the predictions of the territory's first recession since 1985. Two government stimulus packages announced over the past few weeks, aimed at the property market, tourism and the banking sector, have failed to reassure critics and investors.

Tung Chee-hwa, Hong Kong's chief executive, said at the weekend that the slump would last "a few quarters". But economists warned of a longer and sharper recession. Francis Lui, economics professor at the University of Science and Technology, said yesterday that economic output could fall by 5 per cent this year if the credit crunch gripping the territory continues.

The territory's business community is also anxious about prospects for the Japanese yen. The weakness of the yen has raised fears of renewed speculative attacks on the Hong Kong dollar, which remains pegged to the US dollar at a rate of HK$7.80 to US$1.00.

Currency traders reported signs of speculative activity last Friday evening as the Hong Kong currency slipped towards 7.75 to the US dollar, which is considered an important support level. The benchmark three-month interest rate rose from 8.25 per cent to 8.6 per cent.

While political parties describe this week's meeting as a search for co-operation with the government rather than confrontation, their common demands underline increased political pressure on the administration after last month's legislative elections. Pro-democracy and populist parties scored strongly, with the seven parties pressing their six-point plan accounting for more than half of the 60 seats in the legislature.

Allen Lee, leader of the pro-business Liberal party, said yesterday that the government should meet all the demands presented by the parties. The proposals also have the backing of the pro-Beijing Democratic Alliance for the Betterment of Hong Kong (DABHK).

Tsang Yok-sing, DABHK leader, last week signalled that his party would support a deficit budget to revive the economy. Beijing has traditionally been opposed to deficit spending in Hong Kong, inserting a clause in the post-colonial constitution calling for spending increases to be kept in line with economic growth. However, Mr Tsang said this did not require a balanced budget every year, only that the budget should be balanced over the business cycle.

Tehran's mayor defies court

By Robin Allen in Dubai

The politically moderate mayor of Tehran, Gholamhossein Karbaschi, came out fighting yesterday at the start of his trial for alleged bribery, embezzlement of public funds and "influence-peddling" during elections in 1996 and 1997.

In reply to prosecution charges that he had embezzled $90,000 and used a further IR 1.4bn – about $250,000 at the street market rate of IR5,500 to a dollar – to help the election campaigns of moderate candidates, Mr Karbaschi challenged the court's right to try him.

The 44-year-old mayor also questioned the competence of the judge who, he claimed, did not even have a bachelor's law degree. "The evidence against me," he said, "was taken under duress." The prosecution, he added, "has no first-hand documentary evidence."

Displaying a file of papers, he was reported to have warned the prosecution: "No one has seen this file before. Its contents could change the course of the Islamic Republic. Do not push me to reveal what is in it."

The case was adjourned until Thursday.

Mr Karbaschi's detention last April on the orders of Ayatollah Mohammed Yazdi, the head of the hardline judiciary, sparked widespread protests from students and members of the government who saw it as a political move by clerical and secular conservatives opposed to the moderate policies of President Mohammed Khatami.

The judiciary is one of many power centres controlled by Iran's spiritual leader, Ayatollah Ali Khamenei. Mr Karbaschi's early release after only 11 days, following the president's intervention with Mr Khamenei, was seen by many as a political victory for the moderates in general.

According to Bijan Khajehpour, editor of the monthly journal Iran Focus, Mr Karbaschi is seen as "the principal brain behind moderate policies."

Senior western diplomats say, however, that both conservatives and moderate reformers at the top of the political leadership are anxious not to let the drama over Mr Karbaschi get out of hand. "Recent bomb attacks by opposition extremists," said one senior western diplomat, "have shown how brittle stability is."

For the first time since the 1979 revolution, last Friday's prayers were not held in Isfahan, a stronghold of moderate reformists, reportedly because of concern by the city's religious leader about demonstrations against the hardliners who control the levers of power.

In these circumstances, according to a senior western diplomat, neither the government nor the clerical hardliners want a courtroom drama to spill over into the street. "With threats of social and economic unrest, as well as the reported illness of Mr Khamenei, the tendency is for the people at the top of the system to show restraint for the sake of the country's stability."

NEWS DIGEST

US MISSILE TECHNOLOGY

Rules for Chinese access too loose, says Kerrey

Procedures dating back to 1988 to allow China access to sensitive US missile technology appear to have been too loose, the vice-chairman of the Senate Intelligence Committee said yesterday.

Senator Bob Kerrey, speaking on CBS Television's Face the Nation Programme, said the process of granting waivers to grant access to this technology was "relatively loose, given the seriousness of this particular transfer".

Mr Kerrey, a Democrat from Nebraska, was speaking after three days of closed-door hearings by the committee on whether US national security interests were damaged by the granting of waivers in 1996 and 1998 to the Loral Corporation to share missile technology with China. The hearings have not yet been completed and another member of the committee, the Utah Republican, Orrin Hatch, said the evidence was not conclusive "at this point".

The concern is that the missiles used to launch US satellites had a dual-use application to launch nuclear weapons. The chairman of Loral, Bernard Schwartz, is the largest donor to the Democratic party. **Stephen Fidler, Washington**

GUINEA BISSAU

Military revolt put down

Guinea Bissau's government has put down a military revolt in the capital, it said yesterday, but rebels were reported in control of a residential complex, including a hotel where several dozen foreigners were staying.

About a dozen soldiers of both sides, along with civilians, were killed in fighting which erupted in Bissau, the capital of the former Portuguese colony, shortly before dawn, according to Portuguese news agency Lusa.

At the weekend Brigadier Humberto Gomes was formally appointed chief of staff in the impoverished West African state, and it was this reshuffle that apparently triggered the revolt.

Among the dead was Eugenio Spain, the head of presidential protocol, who was killed as he headed for the airport en route to the Organisation of African Unity summit in Ouagadougou.

The whereabouts of President João Bernardo Vieira, who was due to attend the summit, which opens today, were not immediately known.

Lisbon's ambassador in Bissau, Francisco Henriques da Silva, said the situation was still confused, although government troops appeared to be bringing the revolt under control. He said streets in the capital were deserted after the government ordered residents to stay indoors. Television programmes were suspended and radios played traditional Bissau music.

Movimento Bafata, the leading opposition group in the Guinea Bissau parliament, issued a statement calling the revolt a "bloody settling of accounts" within the formerly Marxist ruling party. **Reuters, Lisbon**

SOMALI FIGHTING

Warlord recaptures Baidoa

Fierce fighting between rival armed Somali factions erupted around the key town of Baidoa, 150 miles west of Mogadishu over the weekend.

Radio reports from the area said forces of a warlord, Hussein Aideed, were driven out of the town on Saturday by the Rahanwein Resistance Army, but were back in control of Baidoa yesterday after calling in reinforcements.

Neither side has given casualty figures, but radio reports from Baidoa said there were many bodies on the streets.

Somalia has been without an effective government since President Mohamed Siad Barre was ousted early in 1991, and a number of armed factions now control separate areas. **Reuters, Mogadishu**

MILLENNIUM BOMB

Central banks 'scared'

The world's central banks are "scared to death" by the lack of preparation for the year 2000 computer "bomb" problem, according to a senior investment banker. Andy Siciliano, 36, global head of interest rates and foreign exchange at Swiss Bank Corporation, said his bank was spending 95 per cent of its technology resources on resolving the problem.

Mr Siciliano told the annual Forex conference in Geneva that many European banks were not really addressing the problem and that Japanese banks, in particular, were not ready. They had spent spent $250m in total, compared with the $600m spent by Citibank alone.

"The inability to fix the problem will have a dramatic impact" on the prices of companies being acquired in the forthcoming consolidation of the global banking industry, he said. **William Hall, Zurich**

'VIRTUAL STRIKE'

Settlement at Aeromexico

Flight attendants for Aeromexico airline reached a deal with management at the weekend to end a five-day "virtual" strike over pay and benefits.

More than 1,000 flight attendants worked wearing armbands of protest during the five-day industrial action. Aeromexico service continued uninterrupted.

The airline, a subsidiary of Cintra, which also runs Mexicana and Aeroperu airlines, announced on Saturday a deal which gives flight attendants an 18.3 per cent wage increase and improvements in other benefits.

The staff won better retirement benefits, increases in the number of on-board crew members, and union membership for 300 employees who had been considered management, the ASSA flight attendants union said. **Reuters, Mexico City**

LEBANESE LOCAL POLLS

Army watches over elections

The Lebanese army detained 13 people yesterday in connection with troubles during the third round of the country's local elections.

Lebanon voted in the latest stage of polls which are seen as a test of whether democracy can overcome sectarian and political rivalries lingering from the 1975-1990 civil war.

Thousands of troops were deployed in Beirut and south Lebanon, where a fierce electoral battle was expected between the radical Hizbollah and its rival, pro-Syrian Shia Moslem Amal Movement. In Nabatiyeh, armoured personnel carriers with machine-guns mounted were stationed around polling stations, and tanks were seen on the edge of the city.

The army said the 13 people arrested were held in south Lebanon after "minor problems that did not affect the smoothness of the election process". It did not elaborate.

Official results were expected to be announced late last night or today.

In the second round of voting, held the previous Sunday in northern Lebanon, 10 people were wounded when supporters of rival candidates clashed with knives and clubs. More than 150 people were arrested in connection with election violence.

Opposition groups made gains in the previous rounds of the polls, the first in 35 years, which are seen as a challenge to Lebanon's three pro-Syrian leaders – President Elias Hrawi, Rafik al-Hariri, prime minister, and Nabih Berri, parliamentary speaker. **Reuters, Nabatiyeh**

صكنا من الاهل

US MISSILE TECHNOLOGY

Rules for Chinese ac... too loose, says Kerrey

GUINEA BISSAU

Military revolt put down

Warlord recaptures Baid...

Central banks 'scared'

Settlement at Aerome...

Army watches over ...

GET YOUR MIND WORKING WITH

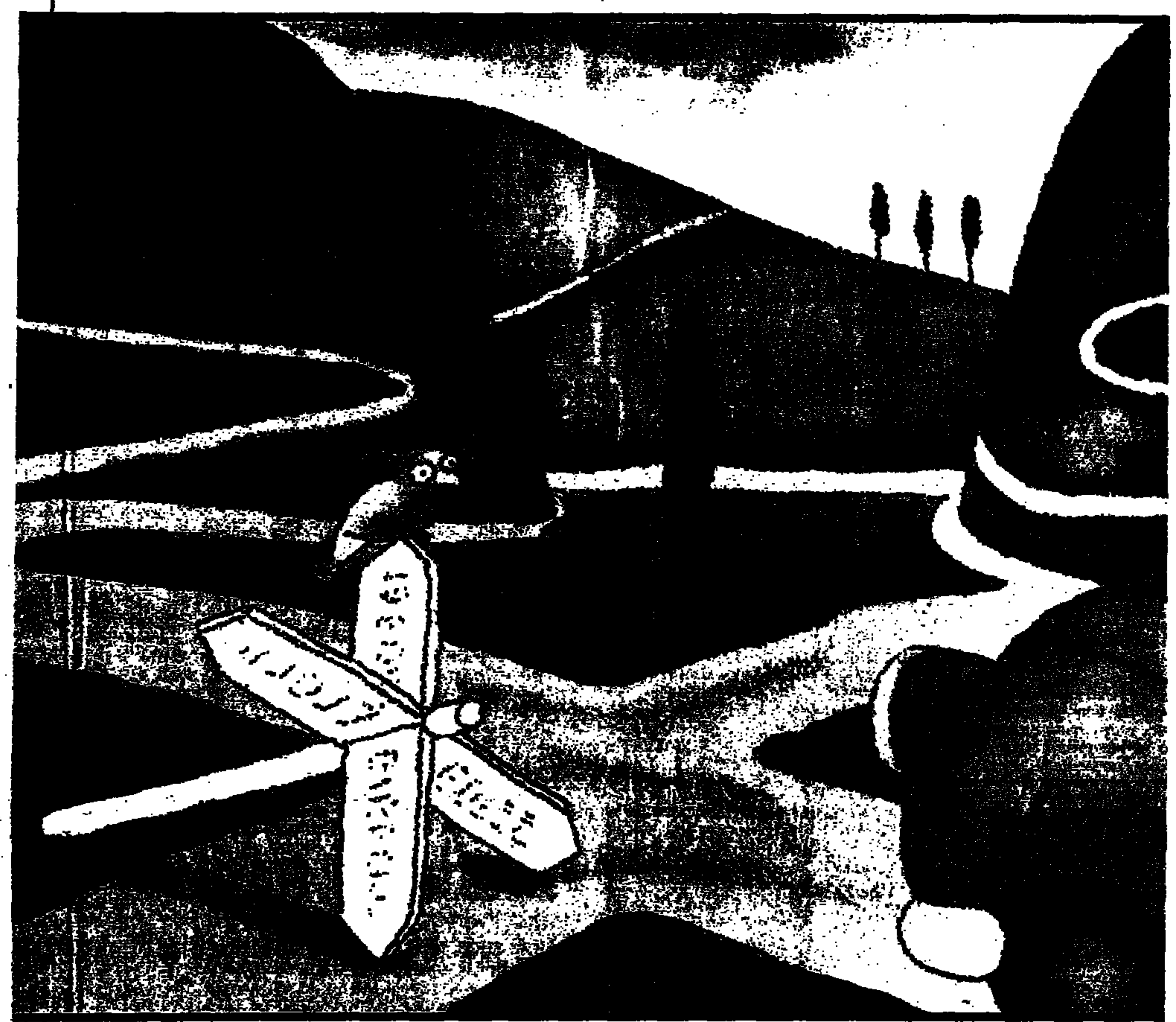
PARIBAS

You arrive at a crossroads only to discover that the signpost has been blown down in a storm. You have no map. Which direction do you take?

fig. 1
You have no map. Remember.

fig. 2
You lost your compass.

fig. 3
What good's a cellular phone if you don't know where you are?



PARIBAS
No.1 IN THE EURO

30% market share

First Supranational in Euro

First Sovereign in Euro

First Convertible in Euro

No.1 Euro Swap House

LEADING THE WORLD IN THE EURO

Today, it is easy to feel lost when confronted by the future. The financial landscape is shifting before our very eyes. Moving into new territory, as we are with the Euro, is fraught with uncertainty. What you need is a guide who's been this way before.

Founded 125 years ago simultaneously in 4 European countries, Paribas was the first bank with a truly European philosophy. Today, with an organisation based on banking activities and industrial sectors, no other bank can equal its experience in crossing financial frontiers.

In the 1997 IFR Awards, Paribas won for Eurobond of the year and was named Ecu/Euro Bond House of the year. As we get closer to the "big bang" of 1999, the experience of Paribas as the lead Ecu bookrunner since 1981 puts the bank in a unique position of authority in all questions relating to the Euro. And it is, in fact, only by the application of experience that we can solve the problem of the crossroads with the fallen signpost.

How do you decide which way to go? You leverage your own recent experience. Since you do know where you've come from, you simply raise the signpost, point the relevant arrow in the direction from which you have come - and the way ahead is clear. *http://www.paribas.com*

PARIBAS Thinking beyond banking

POWER GENERATION GOVERNMENT SEEKS TO SAFEGUARD DEEP-MINE COAL INDUSTRY BY CURBING NEW GAS-FIRED POWER STATIONS

BP plan for Welsh 'energy park' blocked

By David Wighton and Andrew Taylor

British Petroleum's plans for a 3,000-job "energy park" in south Wales are to be blocked as part of the government's efforts to safeguard the deep-mine coal industry.

The government's proposals, which could be announced this week, include a crackdown on the granting of consents to build gas-fired power stations. Although ministers have decided against a blanket extension of the moratorium, a senior government member said the new regime would make it "extremely difficult" to get consents.

The proposals, which will be put out to consultation, will block dozens of projects, including BP's plan to build a gas-fired power station on the site of its Baglan Bay chemicals complex. The power station is the centrepiece of a proposed regeneration project which aims to create more than 3,000 jobs in an area of high unemployment.

The government move will cause huge disappointment in south Wales where BP has been praised for its efforts to replace jobs lost through the run-down of its Baglan Bay facility. It will also provide ammunition for critics who claim the government is protecting miners' jobs at the expense of employment elsewhere in the economy.

Coal industry experts believe the government's efforts could safeguard about half the 5,000 pit jobs threatened by the expiry of subsidised contracts with the electricity generators, struck at privatisation.

But gas power station developers claim thousands more jobs would lost by a ban on new consents.

Adair Turner, the director-general of the Confederation of British Industry, the employers' group, has warned the government against a long-term moratorium he said would hit the confidence of inward investors.

But the government will present the crackdown as giving the coal industry breathing space while distortions in the electricity market are ironed out.

The government will say a combination of increased competition in supply and generation – which may require further coal-plant sales by National Power and PowerGen – together with reform of the electricity pool, the wholesale market, should lead to a substantial fall in electricity prices in the medium term.

Against that background, ministers are confident National Power and PowerGen will agree contracts with RJB Mining, the main coal producer. Ministers believe contracts will be close to the world market price, allowing the government to claim electricity consumers will not be hit.

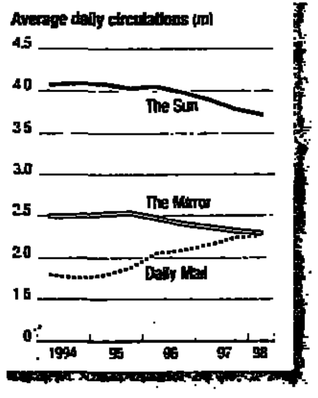
The policy on gas-fired stations is likely to lead to some projects being blocked even where they have been granted consents. The main exceptions will be combined heat and power schemes including BP's Grangemouth development in Scotland.

Ministers were warned that special treatment for projects such as Baglan Bay on economic grounds would open the government to legal challenge. Peter Hain, the Welsh industry minister, whose Neath constituency borders Baglan Bay, is understood to be "very disappointed" about the project.

Declining sales prompt Sun to set its sights on new horizons

Editor's departure comes at a time of falling circulations among the tabloids, says **John Gapper**

Headline figures: red tops vs Daily Mail



Whatever the circumstances behind the change of editor at The Sun, Britain's top-selling daily paper, the departing Stuart Higgins can hardly complain about his send-off.

Friday's issue of the Murdoch-owned paper described him as "the man who broke the greatest stories of the century".

Mr Higgins is to be succeeded by David Yelland, a former City editor of the newspaper who is now deputy editor of the Murdoch empire's New York Post. But the Higgins era will not be forgotten, and The Sun's transformation of the UK tabloid newspaper market will stand as a remarkable tale.

While The Sun became the archetypal Thatcherite tabloid during the 1980s under its irrepressible previous editor Kelvin MacKenzie, this has been a tougher decade. Along with other mass-market tabloids, the paper's circulation has been under pressure.

Mr Higgins's resignation after five years comes after The Sun recorded a 5.6 per cent annual fall in circulation to 3.7m in the six months to April, while The Mirror, its main daily rival, fell 3.3 per cent to 2.3m.

The Sun retains a commanding lead, and its attractions for mass-market advertisers such as retailers endures.

But in spite of this strength, the exuberant self-confidence of The Sun in the MacKenzie years has ebbed. Several editors now cast envious glances at this decade's steadily rising circulation of the mid-market Daily Mail.

Social change is one cause. "With Mr Blair following on Mr Major as prime minister, more people want to be middle class – the mid-market is the place to be," said Peter Williams, finance director of Daily Mail & General Trust.

Another is the continuing rise of television viewing. Mr Jones says pay television channels such as The Mirror's Live TV and UK Living that reflect tabloid interests are competing for customers.

The Sun's response in June 1993 was to cut its cover price, a tactic that worked for a time. "The Sun got away with murder in a way because the Mirror did not fight back effectively," says Anthony de Larrinaga, an analyst at Panmure Gordon, the stockbroker.

Since The Sun restored its cover price to 28 pence (46c), a decline has set in again. "It is very hard to compete at the bottom of the market, because the only obvious way to do it is through special promotions or price cuts," says Mr de Larrinaga.

But the most alarming recent event for The Sun was the accession of Mr MacKenzie to take charge of Mirror Group national titles this year. He surprised analysts by nudging The Mirror upmarket and increasing the length of its stories.

Since tabloid newspapers gain about 60 per cent of revenues from their cover price, there are clear attractions to gaining circulation through means other than price cuts, and Mr MacKenzie has instead focused heavily on editorial changes.

Even before Mr Higgins's departure, Sun owner News International showed signs of seeking to increase its female readership. Rebekah Wade, a 30-year-old journalist from News International's News of the World, which appears on Sundays and is Britain's top-selling newspaper, was appointed deputy editor under Mr Higgins earlier this year.

Government 'failed to fund vital BSE study'

By Maggie Urry in London

The UK government turned down grant applications for "vital" research work on BSE – or "mad cow" disease – in 1991 from a leading authority on the condition and related illnesses, the BSE inquiry was told at the weekend.

Professor Stanley Prusiner, who last year won the Nobel prize for medicine for his work on prion diseases, including BSE, Creutzfeldt-Jakob disease – the human equivalent – and scrapie, the sheep disorder, told the inquiry "this was a major mistake. It cost us six years". Afterwards Prof Prusiner said "about a month ago" the agriculture ministry suggested "we should put something together".

The inquiry took evidence on Saturday to accommodate Prof Prusiner, who works at the University of California, in San Francisco.

He said the research "was and is vital to gaining more knowledge about BSE. It might have made a big difference if it had been funded in 1991". His team made two formal applications in 1991 followed by informal approaches, and a third formal application in 1996. All were refused.

The grant application was to assess the risk to humans of BSE, using mice. In 1991 the government's line was beef was safe to eat. However, Prof Prusiner told the inquiry that was based on knowledge of how scrapie affected sheep, and that scrapie did not cause CJD in humans. He said by 1991 scientists knew seven differences existed in the amino acids between prions in cattle and in sheep, "any one of which could be lethal, and this worried us". Asked if he thought British beef was safe to eat at the time, he said: "It wasn't a very appetising thought."

In 1989 the UK government banned certain cattle tissues, such as the brain and spinal cord, from the human food chain. These were thought to carry the infective agent, and the view that beef was safe was based on their removal. But Prof Prusiner said the ban was made on the assumption prions in cows had the same distribution as in sheep.

In fact, Prof Prusiner said, scientists' lack of knowledge about how BSE affected cattle meant they could not say "where the prions are and what the titres [levels] are". Cattle carrying the disease, but not showing clinical symptoms, could pose a threat to humans.

NEWS DIGEST

PARLIAMENTARY REFORM

Joint body set to examine future of upper chamber

Tony Blair, the prime minister, is expected this week to confirm plans to set up a rare joint committee of senior MPs and peers to determine the long-term future of the House of Lords, the unelected upper house of parliament.

The body would take evidence from the public, academics and others, and produce a report on how to create an effective second chamber before the next election. But Mr Blair is understood to have decided that legislation for full-scale reform of the Lords should not take place until after the next general election. In the meantime the government will introduce a bill in the autumn for "stage one" reform, which will simply remove the voting rights of hereditary peers.

Conservatives will fiercely oppose the bill, arguing that they cannot agree to the removal of hereditary peers without knowing what will replace them. William Hague, the Tory leader, said the Lords would be left as "a huge quango" made up of political appointees. If the Tories fight a pitched battle against the bill in the Lords, it could clog up all other government business next year. Mr Blair and Lord Richard, leader of the Lords, insist the question of "stage two" reform cannot be decided without consideration by a committee of both houses of parliament. Senior members of Labour and the Liberal Democrats favour a hybrid system for the chamber, where some members are elected and some are appointed. **George Parker, London**

THINK-TANK REPORT

Call for Europe to 'pull together'

The European Union should have its own peacekeeping force, drugs-busting police force and Open University, as part of a drive to make it more relevant to ordinary people, according to a think-tank admired by Tony Blair, the prime minister.

The report by Demos also calls for the EU to transfer regional aid from farms to programmes to regenerate cities and to improve the quality of life in urban areas.

"For too long, European integration has been a technocratic, elitist project," said Mark Leonard, author of the report, Rediscovering Europe. "To meet the challenges of the next century, Europe needs to pull together and rediscover the priorities, values and aspirations of its citizens."

Neil Kinnock, the European transport commissioner, will speak at the launch of the Demos report today, which coincides with a London conference on building a "people's Europe".

The report, which draws on opinion polls across the EU, says 68 per cent of people want a Europe-wide approach to foreign policy, and 78 per cent believe the EU should lead the fight against drugs.

Robin Cook, the foreign secretary, yesterday told the people's Europe event in London: "Europe can only succeed if it has the backing of its people." He said: "A partnership between politicians and people is essential to the future development of the EU."

The theme will be continued at next week's EU summit in Cardiff, Wales, where more than 10,000 farmers are expected to protest at cuts in income. **George Parker, London**

WELSH ASSEMBLY

Public 'badly informed' on devolution

A huge public education campaign will be needed to ensure a respectable turnout in next year's elections to the planned Welsh assembly because most people know "very little" about devolution, according to an internal Welsh Office report.

The report suggests the £700,000 ($1.15m) spent last year on publicity about devolution has had minimal impact, and says a sophisticated campaign targeting people who typically read the British tabloid newspapers, as well as opinion formers, must begin "as soon as possible".

It argues that a well-known personality should lead the campaign, and suggests Anthony Hopkins, the actor, or Tom Jones, the singer. Ideas for the "lively, upbeat" campaign include a pop song and a new Welsh logo, together with sustained coverage in the media.

The Welsh electorate voted by a majority of 0.6 per cent for the assembly in a referendum last September. However, only half the electorate bothered to vote. If there is a low turnout in the elections to the assembly next May, on a similar scale to last month's local government elections, the case for devolution would be badly damaged.

The internal Welsh Office report, obtained by the Financial Times, is based on detailed interviews in March and April with voters who supported and rejected the assembly in the referendum. The report says: "A main finding of this research was that knowledge and understanding of the assembly and how it will operate is confined to a minority. Most know very little about the assembly." **Andrew Parker, London**

NORTHERN IRELAND

US trade mission arrives

William Daley, the US commerce secretary, arrived in Belfast yesterday describing the trade mission he is heading as "the most unique and important" he had undertaken in his 16 months in the job.

His visit coincides with a critical time in Northern Ireland, coming two weeks after a referendum in which a majority approved unprecedented political and constitutional change and during an election campaign expected to lead to restoration of devolved government in the province. The mission involves 17 senior US corporate executives, including representatives of companies such as Boeing, General Electric, Motorola, Pfizer and Monsanto.

Mr Daley said yesterday the executives had been persuaded by the Clinton administration to offer a collective show of support for the peace process.

"Both President Clinton and I believe that peace and economic opportunity go hand in hand. The business community must be involved in the process of peace for it to succeed," Mr Daley said.

US officials confirmed an early gesture would come later today with the announcement that Boeing is stepping up its association with Short Brothers, the Belfast defence and aerospace company. **Jimmy Burns, Belfast**

Move clears way for Virgin flotation

By Jonathan Ford in London

John Swift, the rail regulator, will this week give the go-ahead for Railtrack's planned £2.1bn ($3.4bn) upgrade of the west-coast main line in a move that clears the way for the flotation of Richard Branson's Virgin Rail.

The west coast main line links London with Glasgow and Edinburgh via the Midlands and the north-west of England. Virgin Rail, which runs train services on the line, is expected to announce its flotation next week with the aim of coming to the market in mid-July through an institutional placing valuing it at up to £250m.

The flotation would represent Mr Branson's first foray back into the UK stock market since he took Virgin Group private a decade ago.

Railtrack, the rail infrastructure group, has agreed to make extensive improvements to the 550-mile west coast line that would more than double capacity and allow it to carry trains at speeds of up to 140mph.

The improvements are expected to be completed by 2005, but Virgin Rail will be able to run trains on the line at 125mph from 2002.

Mr Swift's approval was needed because the upgrade deal involves an innovative revenue-sharing agreement between Virgin Rail and Railtrack, as well as offering the train operator protection from competition on some of its routes.

In conjunction with the upgrade, Virgin Rail has ordered 55 tilting high-speed trains worth £500m from a consortium involving Fiat Ferroviaria of Italy and Alstom, the Anglo-French engineering group.

Virgin Rail intends to operate tilting trains on the west coast main line to avoid the need for a dedicated high-speed track. Once in service, the trains will reduce journey times between London and Glasgow by 1½ hours to four hours.

Mr Branson would bring Virgin Rail to the market at a time of optimism for the UK railway industry. Passenger numbers increased by about 7 per cent across the network last year – far faster than had been expected at the time of privatisation.

Despite its poor reputation for reliability, the west coast main line increased passenger numbers by 13 per cent. This has helped Virgin Rail to turn round from an estimated £11m loss prior to privatisation to a position where it is understood to be profitable.

صكنا من الاجل

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**

Abbey Natl Treasury FRN 1999 $14.22
Bentalls 3.15p
BOC 7¼% Nts 2002 £72.50
British-Borneo Ptrlm 1.75p
Brixton Estate 5% Prf 6.05p
Burford 1.25p
Carlton Comms 7⅝% Bds 2007 £76.25
CRT 1.025p
Denistron Intl 1p
Derwent Valley 4.65p
Eksportfinans 10⅝% Nts 1998
Forminster 2.15p
Gallaher $0.7915
Jiangxi Copper RMB0.02
Jupiter Extra Income 1.96875p
Lafarge FFr16.50
L Gardner 2.7p
Morgan Stanley Equity (CI) 8.548875p
Norway FRN 2002 $143.77
Qualceram IR£2p
Reed Executive 1.5p
Reed Intl 5% 1.75p
Do 7% Prf 2.45p
Rockwell Intl $0.255
Sainsbury (J) 7¼% Nts 2002 £72.50
Uppsala FRN 1998 $309.65

■ **TOMORROW**

Action Computer Supplies 1.25p
Anheuser-Busch Cos $0.26
Astec 1.25p
Barr AG 10p
BTR ADR $0.368
English China Clays 7.5p
European Inv 9½% Ln 2009 £237.50
Halifax FRN 1999 £189.43
Inchcape 3.3p
Investors Capital Trust Inc Annuity Res Vtg 1.42p
Do Units 1.42p
National Power 8⅛% Bds 2022 £81.25
P & O Dfrd 17p
Quicks 4.5p
Residential Mtg Secs Class a FRN 2034 £141.22
Do Class B FRN 2034 £198.52
Rugby Estates 2.02p
Templeton Latin America Inv 0.35p
Tenneco Inc $0.30
Whitbread 8⅛% Deb 20121 £4.0625

■ **WEDNESDAY JUNE 10**

AlliedSignal $0.15
Anglo Irish Bk FRN 1998 £193.77
Bank of Ireland Undated VRN $1709.03
Chevron $0.61
Datrontech 4.2p
Dun & Bradstreet $0.22
Electronic Data Systems $0.15
Eli Lilly $0.20
Exxon $0.41
General Motors $0.50
Do BDR 0.025
Halifax 13⅝% Sub Bds £3406.25
Do FRN 1999 $14.53
Hercules Property Servs 1p
Higher Education Sec Invs Series 1 Class A1 FRN 2028 £617.09
Do Class A2 FRN 2028 £652.40
Do Class A3 FRN 2028 £675.41
Do Class B1 FRN 2028 £775.68
Do Class B2 FRN 2028 £775.68
IBM $0.22
Japan Devlpt Bank 7⅜% Nts 2003 £73.75
Mobil $0.57
National Australia Bk Sub Nts £198.18
Portman Bldg Society FRN 1999 £192.63
Road Mngmt Consld 9.18% Bds 2000-21 £459
Standard Chrtd Undated Primary Cap FRN $310.92
State Bk of New South Wales FRN 2004 A$64.42
Texaco Inc Cap $0.45
United Technologies $0.36
Warner-Lambert $0.48
Westpac FRD 2002 £1906.16

■ **THURSDAY JUNE 11**

Ascot 7.8p
Bankamerica $0.345
Chepstow Racecourse 10p
E.I. Du Pont De Nemours 7½% Nts 1999 $75
Gibbon 6p
Kobe Steel 4.7% Bds 1998 Y470000
London & Manchester 17.44p
Lowland Inv 4.5p
Mitsui 4.6% Bds 1998 Y460000
Mycal 5½% Bds 1998 Y550000
MY Holdings 0.85p
Nippon Sanso 7.2% Bds 1998 Y720000
Ockham 3p
Pfizer Inc Cmmn $0.19
Portmeirion Potts 9.95p

■ **FRIDAY JUNE 12**

Abbott Mead Vickers 4.5p
Anglo American Inv R5.28
Ashtenne 3p
British Empire Secs & General Tst 0.25p
Delphi 4.8p
Eaton 12½% Ln 2014 £6.25
Fairey 6.95p
Five Arrows Chile Inv $0.02
Hammerson 6½% Cv Bds 2006 £162.50
Hapoalim Intl FRN 2001 $315.97
Henderson American Cap & Inc 2.4p
Ireland Residential Sec Class A1 FRN 2025 IR£1516.11
Jupiter European Inv 0.7p
Leicester City 0.3p
McAlpine (A) 4.5p
NSK 7.2% Bds 1998 Y720000
Ocean Wilsons 4.5p
Osaka 7% Nts 1998 Y700000
Shanghai Inv Bds $5
Turkey Trust 1.5p
UK Estates 0.15p
Wankie Colliery Z$0.10
Weir 6.46p

UK COMPANIES

■ **TODAY**

COMPANY MEETINGS:
Dennis, Nailcote Hall, Nailcote Lane, Berkswell, near Coventry, 11.00

BOARD MEETINGS:
Finals:
Acal
Alba
British Land
CPL Aromas
Critchley
Electrocomponents
GEI Intl
Hadleigh
Powderject Pharms
Renold
600 Group
Salvesen (C)
Silk Industries
Stirling Group
Unigate
VideoLogic
Waddington
Interims:
Gooch & Housego
SDX Business Systems
Warner Estate

■ **TOMORROW**

COMPANY MEETINGS:
Ashley (Laura), Harbour Rooms, South Dome, 1st Floor, Design Centre, Chelsea Harbour, SW, 2.30
Barlows, Chester Grosvenor Hotel, Chester, 12.00
Bourne End Props, 9, Queen Anne Street, W, 12.00
Derby Trust, 1, Connaught Place, W, 11.00
McAlpine (A), Albert Room, Armoury House, City Road, EC, 12.00
Tarmac, Fleming Room, QEII Conference Centre, Broad Sanctuary, Westminster, SW, 11.30

BOARD MEETINGS:
Finals:
Amberley
Anglian Group
BTP
Charles Stanley
Cropper (J)
European Motor
European Telecom
Field Group
Great Portland Ests
Jarvis Hotels
Northern Foods
Severn Trent
Volex
Wessex Water
Yates Bros Wine Lodges

Interims:
Firth Rixson
Fountain Forestry
Readicut Intl

■ **WEDNESDAY JUNE 10**

COMPANY MEETINGS:
Peterhouse, Leeds Marriott Hotel, Boar Lane, Leeds, 12.00
Plantation & General Invs, Offices of Stephenson Harwood, 1, St Paul's Churchyard, EC, 2.30
Reunion Mining, Shandwick Consultants, Aldermary House, 15, Queen St, EC, 12.00

BOARD MEETINGS:
Finals:
Drummond
Expro Intl
Hambros
Meyer Intl
Scottish Hydro-Elect
Staveley Industries
Tinsley (Eliza)
Whitehead Mann

Interims:
Granada
Howle
Leeds Group

■ **THURSDAY JUNE 11**

COMPANY MEETINGS:
Aspen, BT Alex. Brown International, 135, Bishopgate, EC, 10.30
Chime Communications, The Dorchester Hotel, Park Lane, W, 9.00
Ross, UBS Ltd, 100, Liverpool Street, EC, 2.00
Schroder Korea Fund, 33, Gutter Lane, EC, 3.00
Springwood, The Stockyard, Ashby Road, Osgathorpe, Leicester, 11.00

BOARD MEETINGS:
Finals:
Comino
European Colour
Johnson Matthey
Macdonald Hotels
Monks Inv
Regalian Prop
Sterling Publishing
Symonds
York Waterworks

Interims:
Dewhurst
Lonrho Africa
SHL

■ **FRIDAY JUNE 12**

COMPANY MEETINGS:
Bertam, Tallow Chandlers' Hall, 4, Dowgate Hill, EC, 12.00
Dewhirst Group, Merchant Taylors Hall, Aldwark, York, 12.00
Morgan Crucible, Hotel Intercontinental, 1, Hamilton Place, Hyde Park Corner, W, 12.30
Oxford Molecular, The Magdalen Centre, Oxford Science Park, Oxford, 10.00
Rowe Evans, Tallow Chandlers' Hall, 4, Dowgate Hill, EC, 12.30

Company meetings are annual general meetings unless otherwise stated.
Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES & COURSES

CONFERENCES

JUNE 10
In-Trade '98
Invitation to meet the Sharjah Chamber of Commerce delegation, Sharjah Airport International Free Zone, Hamriya Free Zone and Sharjah Commerce & Tourism Development Authority, at a special briefing "Decade on Sharjah," within the exhibition from 1.30 pm to 2.30 pm on 10 June. Of special interest to UK companies involved in assembling, storage, distribution, transhipment, processing, canning and packing, manufacture and trading.
Olympia 2, LONDON

JUNE 15 & 16
The 3rd World Aluminium Conference
Speakers confirmed for this event, in association with CRU International, include senior executives from Alcan Aluminium Limited, Billiton Aluminium BV, Hydro Aluminium Extrusion, Kaiser Aluminium, Aluminium Industries SDN BHD, Alumax Inc and Alumina AO
Contact: Lucinda Roberts, FT Conferences
Tel +44 171 896 2120
Fax +44 171 896 2696
Email: fticon@pearson-pro.com
www.ftconferences.com
LONDON

JUNE 17
CRISIS AS CATALYST
The Accelerated Change of Korean Business Culture
SPEAKERS INCLUDE:
Donald P. Gregg
Pyong Hwa Koo
Alice Amsden
Hong Koo Lee
Peter Martin
Lawrence Klein
For info contact:
Richard Hitchcock
Tel: (212) 759 7525 ext. 12
Fax: (212) 759 7530
NEW YORK CITY, USA
THE KOREA SOCIETY

JUNE 18
Wake up to Workflow - Breakfast/Lunch Briefings
Your questions will be addressed be leading experts in the theory, technology and practice of Workflow.
Time invested now could save your business much more time in the future.
Registration/agenda contact
Chris Kavanagh, Cincom
Tel: +44 1628 542501
E-mail: ckavanagh@cincom.com
Lloyd's, LONDON

JUNE 22 & 23
The 21st Annual FT World Gold Conference
Confirmed speakers include Mr Peter Fava, Chairman, LBMA, Head of Precious Metals, HSBC Midland, Mr Bobby Godsell, Chief Executive Officer, Anglogold; Dr Stewart Murray, Chief Executive, Gold Fields Mineral Services Ltd, Dr Rudolf Trink, Head of Treasury, Strategy Division, Austrian National Bank and Mr John M Willson, President and Chief Executive Officer, Placer Dome Inc.
Contact: Sarah Gibb, FT Conferences
Tel +44171 896 2639 Fax +44171 896 2696
Email: sarahg@pearson-pro.com
BARCELONA

JUNE 23
Seminar on Strategic Issues facing the ESI
• Economic efficiency, regulation, pricing and security and how efficiency and reliability can be sustained • Security of supply in terms of generation/fuel reliability and network capability security. • Structural arrangements developed in response to regulatory and business needs.
Contact: Institution of Electrical Engineers
Date: Tuesday 23 June 1998, 10am-5pm
LONDON

JUNE 25 - 26
Linking the Balanced Scorecard to Strategy
Don't miss Professor Robert Kaplan, co-founder of the Balanced Business Scorecard, at his first personal UK appearance this year. He, and a top-class speaker panel will give you the advice you need to develop a scorecard framework.
http://www.business-intelligence.co.uk
LONDON

JUNE 29 - JULY 1
Third Roundtable with the Government of Romania
Meet the new key decision-makers. With the participation of President Emil Constantinescu and Prime Minister Radu Vasile.
For immediate registration and a copy of the programme, please contact:
Monika Davies,
The Economist Conferences
Tel: (43.1) 712 41 61 15
Fax: (43.1) 714 67 69
E-mail: monikadavies@eiu.com
Bucharest, ROMANIA

July 1
Telecommunications: Which Profitability Today?
PARIS
Technological progress will rapidly lower telecommunications prices and change or even sideline past profitability models. The purpose of this conference is to highlight the profitability prospects of each business line in the light of new *parameters such as technological* progress, liberalization, the boom in mobile telephones, data transmission and the formidable potential of the internet top speakers.
Information:
Tel: 00 (33) 1 49 53 67 47
Fax: 00 (33) 1 45 63 73 58
conferences@lesechos.fr
Les Echos CONFERENCES

JULY 1
Business to Business: Secure Extranets and Electronic *Commerce*
Case studies and technical presentations from Chase Manhattan Bank, EEMA, Coopers & Lybrand, CMG, Planet, Sun, NetInfo, Momentus New Media and XtraNet give practical guidance on safe and successful implementation of business online, compliance with legal issues, knowledge sharing, improving *customer supplier relations, marketing impact*
UNICOM
LONDON

JULY 6 & 7
FT Corporate Property *Conference - Winning Strategies for Business and the Financial Community*
This FT Conference will consider the increasing importance of property, both as a balance sheet and operational asset. The importance of financial markets and professional service providers will also be addressed.
Contact: Lucinda Roberts.
FT Conferences Tel: +44 171 896 2120
Fax: +44 171 896 2696
E-mail: fticon@pearson-pro.com
www.ftconferences.com
LONDON

JULY 7 - 8
IT - The Supply Chain Enabler
• Evolving Supply Chains • Supply Chain Tracking • Y2K • Moving Information not Product • Performance, Accuracy & Service • Data Warehousing • ERP • Integrated Systems • Third Party SC Solutions • ECR • E-Commerce • Intranets/Extranets • Virtual Shipping
Further information & full programmes from Annette Sandford, National Materials Handling Centre, Cranfield University, Cranfield, Bedford MK43 0AL
Tel: +44 (0)1234 750323
Fax: +44 (0)1234 752040
Email: lie@cranfield.ac.uk
WOBURN ABBEY

JULY 13 - 17
Knowledge Management Series
5 days covering different aspects of KM. Keynote presentation by Fortune Magazine' Tom Stewart, author of the best seller "Intellectual Capital: The New Wealth of Organizations". Also World Bank's experience of Knowledge Sharing. Other presenters include CiBit; *City University Business School;* IMechE, Royal Mail; Knowledge Associates; Conduit; Autonomy, INSEAD; Coopers & Lybrand
UNICOM
T: 01895 256484 F: 01895 813095
info@unicom.co.uk
LONDON

27 July - 10 August 1998
2 WEEKS DIPLOMA IN BUSINESS ADMINISTRATION
at
Robert Kennedy University Zurich
Your unique opportunity to take part at our Summer Session. In-depth Study & *Conferences.* 2 weeks to obtain at the end of the event a Diploma in Business Administration from Robert Kennedy University Zurich (Accredited SFPUC)
■ Speakers from leading banks and financial institutions of Zurich
■ Taught by professor of world wide fame
■ Full-time study to obtain a Swiss International Diploma
■ Open to all (no admissions requirements)
Total cost for all 15 days £1000 including diploma fees, conferences, workshop & tuition
Contact: Robert Kennedy University
Internet: admissions@kennedyuniversity.com

SEPTEMBER 3 & 4
FT World Aerospace and Air *Transport Conference*
Distinguished speakers include Neil Kinnock, Member of the European Commission; Adam Brown, Airbus Industrie; Robert Ayling, British Airways plc; *Pierre Jeanniot, IATA;* John Weston CBE, British Aerospace plc; and Chris Avery, Paribas.
Contact: Joanna Edwards.
FT Conferences
Tel: (+44) 171 896 2555
Fax: (+44) 171 896 2696
Email: fticon@pearson-pro.com
www.ftconferences.com
LONDON

September 15-18
International Real Estate Finance Conference "Creating a New Synergy: Global Partnerships in Real Estate Finance"
Sponsored by the Mortgage Bankers Association of America (MBA). The only international real estate finance *conference devoted to mortgage* finance professionals from dozens of nations. Sessions cover recent *developments* in the residential and commercial sectors in emerging markets. Topics include multilateral activity, government policy perspective, secondary systems, international low income housing, innovative technology and trade barriers.
For further information contact
MBA International Division
Tel: 202 861 6560
Fax: 202 861 0736
Email: international@mbaa.org
Mortgage Bankers Association of America
Maui, Hawaii, USA

OCTOBER 8
Consolidate '98
Europe's most popular event in group financial reporting systems, attended by more than 400 finance directors, controllers and systems accountants.
Featuring real time benchmarking™, leading edge case studies and the world's best consolidation products.
To book, call, Forum Conferences +44 (0)181 445 2688
or fax +44 (0)181 445 7172
Café Royal, LONDON

OCTOBER 20 & 21
The 2nd Utility Congress - The Competition Audit
A two day conference and exhibition organised by Utility Week magazine will address key issues facing the utility industry. Speakers include: Phil Nolan, British Gas Trading; Keith Orchison, Electricity Supply Association of Australia; John Easton, Edison; Chris Meller, Anglian Water; John Roberts, Electricity Association, Mike Bemis, London Electricity
Tel: +44 181 652 3818
Fax: +44 181 652 3482
E-mail: angela.jones@rbi.co.uk
BRIGHTON

Conferences & Courses

To advertise conferences, exhibitions, trade fairs, conference venues and training courses to approx 1.2 million readers worldwide.

Contact Jade Sanderson on
tel +44 171 873 3507
fax +44 171 873 3765

Financial Times

OCTOBER 28
The 3rd Annual FT Diamonds Conference
This year's meeting will provide a unique opportunity to gain insight into the latest developments in the world diamond industry and a powerful forum to network with potential partners and clients.
Contact: Sarah Gibb, FT Conferences
Tel: +44 171 896 2639
Fax: +44 171 896 2696
Email: sarahg@pearson-pro.com
LONDON

NOVEMBER 7 - 11
MILIPOL
International Security Exhibition
State security, industrial security, local community security, civil defence and other sectors of the security industry will be exhibited.
For detailed information
Fax: Arab-British Chamber of Commerce 0171 396 4499
or Fax: IMPEX 00 33 1 46 27 91 63
Doha, QATAR

DECEMBER 7 & 8
The 17th FT World Pulp and Paper Conference
Once again the conference will provide you with unique opportunities to gain insight into the world pulp and paper industry and to network with potential *partners and clients in a powerful forum.*
Enquiries: Lucinda Roberts.
FT Conferences
Tel: +44 171 896 2120
Fax: +44 171 896 2696/2697
Email: lucindar@pearson-pro.com
Web: www.ftconferences.com
LONDON

LANGUAGE COURSES

To advertise in
Language Courses
Please contact Jade Sanderson on +44 (0) 171 873 3507

REGENT
LANGUAGES FOR BUSINESS
• Tailored tuition for business people
• Courses for individuals and groups
• In-company or at our centres in London, Oxford, Brighton, Kent and Edinburgh
• Expert teaching in over 40 languages including English
Regent Linguaphone
31 John Adam St., London WC2N 6HX
Telephone: 0171 839 3622
Fax: 0171 839 3677

FAST, EFFECTIVE, AFFORDABLE
Would speaking your Customer's language have made the difference ?
Did your last meeting overseas go as well as you had hoped ? No ? Why not ? Did you lose out to a competitor who did speak the language of the customer ?
Don't let it happen again -
***Call BERLITZ for details of 'Doing Business in'* French/German/Spanish NOW on**
0171 - 915 0909
0121 - 643 4334
0161 - 228 3607
0131 - 226 7198
Berlitz Helping the World Communicate.

Language Courses

COURSES

JUNE 17 - 19
Accounting Skills for Non-Financial Staff
• The "language" of Finance • Basic Accounting Principles • How Financial Statements are Generated • Profit and Loss Account and Balance Sheet • Cashflow, Budgeting, Management Accounts, Breakeven Analysis • Financial Evaluation, Key Ratios, Sensitivity Analysis • Management Accounting Concepts
3 Days £875 + VAT
Contact: Birchin International plc
New Address:
1 Lombard St, EC3V 9AA, London
Internet: http://www.birchin.com
LONDON

JUNE 17 - 24
***Courses:* Introduction to Oil Industry Operations and Petroleum Economics**
Organised by The Institute of Petroleum, these Courses are aimed at participants from financial, commercial and service companies, analysts, governmental organisations who require an informed and concise introduction to the economic and commercial background of the oil and gas industry.
LONDON

JUNE 25 - 26
BPP Training & Consultancy
Marketing to Win Clients
Covers main principles of marketing for managers and staff who have some client service. Aims to show how they can be incorporated into personal marketing plan • Marketing research • Understanding client needs • The marketing environment • *Strategies* • SWOT analysis • Setting objectives & goals • Developing a marketing plan
Outline & further details available
Contact:
Email: bpptraining@compuserve.com
CENTRAL LONDON

JUNE 29 - JULY 1
Essentials of Corporate Finance
• *Corporate Objectives* • *Financing* Companies • Debt v Equity • M&A and Valuation Issues • Time Value of Money; DCF Techniques • Cost of Capital • Dividend Policies • EPS
3 DAYS £875 + VAT
Contact: Birchin International plc
New Address:
1 Lombard St, London EC3V 9AA
Internet: http://www.birchin.com
LONDON

Conferences & Courses

JULY 1 - 3
Evaluating Banks
• Banking Supervision and Regulation • *Financial Information* • Key Ratios and Capital Adequacy • Political, Economic, Social and Technological Risk • Country Risk Exposure Analysis • Emerging Markets • The Role of Credit Rating Agencies **3 Days £995 + VAT**
Contact: Birchin Training & Consulting
New Address:
1 Lombard St, EC3V 9AA, London
Internet: http://www.birchin.com
LONDON

JULY 1 - 3
BPP Training & Consultancy
Understanding Investment Management
For those new to the industry & all those providing a service to the investment management sector. Thorough overview of the workings of investment managers & the markets they operate in plus the basics of settlement & global custody • Fund managers & their styles • Portfolio theories • World equity & bond markets • *Settlements & custody* • *Valuation &* performance
Outline & further details available
Contact:
Tel: 0171 628 8444 Fax: 0171 628 7818
Email: bpptraining@compuserve.com
CENTRAL LONDON

JULY 2
The Ten Steps to Turnaround and *Restructure* a *Business* in Korea, and Obtain *International* Investment Capital
A practical workshop on how to turnaround and restructure companies.
Sponsors: Korea Chamber of Commerce, *Industry-Corporate Restructure Center,* and C&K Capital Corporation
Tel: USA 949 477 6299
Fax: USA 949 477 9211
E-Mail: JPelton@CKCooper.com
Seoul, KOREA

JULY 2 - 3
BPP Training & Consultancy
Swaps I
An introduction to swaps for trainee dealers, sales people, auditors, investors... Highly practical course covering the structure, use & valuation *of the common swap types,* with an overview of trading practice & essential mathematics. • Development of the market • Interest rate swaps • Currency swaps • Swapped bond issues • *Mark-to-market* • *Documentation.*
Outline & further details available
Contact:
Tel: 0171 628 8444 Fax: 0171 628 7818
Email: bpptraining@compuserve.com
CENTRAL LONDON

AUGUST 2 - 7
Strategic Brand Leadership in Banking - *gaining competitive advantage*
Speakers include senior directors from Lloyds/TSB, Halifax, ABN AMRO, Standard Chartered, Salomons, AIB Bank and others from Europe and USA
5 days, £2,800 + VAT (includes meals, accommodation & materials)
Contact: Paula Lynch
Birchin Training & Consulting
Tel: +44 171 929 6633
Fax: +44 171 929 6644
Email: lynchp@birchin.com
Downing College, CAMBRIDGE

To advertise contact Jade Sanderson on +44 171 873 3507 or Fax +44 171 873 3765

هكذا من الأصل

صكذا من الاجل

PROFILE JÜRGEN DORMANN, CHAIRMAN OF HOECHST

Defender of the revolution remains loyal to strategy

The man who broke down barriers at the German chemicals group tells **Graham Bowley** his policy is right but getting his ideas across is a problem

If Jürgen Dormann is feeling any strain, the 58-year-old chairman of Hoechst, the German chemical and pharmaceuticals group, does not show it. He is relaxed and tanned, and there is a twinkle in his eyes as he leans forward to explain why he will not abandon the revolution he has set in motion at his company.

"The strategy is unchanged. We have outlined that we want to focus on life sciences and we are doing that, step-by-step," he says.

But summer 1998, four years after he took over the top job at Hoechst, finds Mr Dormann at a low ebb. First, investors have become impatient at delays in restructuring. Their frustration depressed Hoechst shares – by mid-May they had under-performed the shares of Germany's top 30 companies by 30 per cent during the previous year, although in recent weeks they have begun to recover. For a man who was once the stock market's darling, who set out declaring he would be judged by the financial markets, that is a heavy burden.

Second, the reason Hoechst shares have rallied may not be altogether welcome. There have been persistent rumours that rival chemical companies may be preparing a takeover bid.

Mr Dormann is also facing revolt from employees protesting at job cuts (the workforce will be reduced by almost 80,000 by next year, although this is due to divestitures as well as redundancies) and spending reductions. Some in Germany portray Mr Dormann as a cruel destroyer of jobs who is ruining a once-proud German company.

When asked about the pressure he must be feeling, the calm exterior of this lean, aesthetic intellectual becomes ruffled, his eyes flash and he dismisses the question with a wave of his hand. He admits to mistakes but not of strategy, rather errors in badly managing investors' expectations. "We have done a poor job. We are on the learning side. It will improve ... I did not dampen the expectations of the market early enough," he says.

Just over a year ago, the revolution was on track. Mr Dormann was breaking down barriers at Hoechst. He was making the company more transparent for investors, adopting international accounting standards, preparing for a listing on the New York Stock Exchange and linking executive salaries to the share price.

Most importantly, he was dividing the sprawling, old-fashioned chemicals conglomerate, Europe's biggest, into several separate businesses. This clearer structure meant each division could be judged on its merits, while Hoechst would become a strategic holding company.

Mr Dormann's ambitious plan was to concentrate on Hoechst's pharmaceuticals and agrochemicals activities, so-called life sciences. These involve a lot of research and command attractive premiums. He would sell or spin off into joint ventures the group's other chemicals activities, and bolster drugs activities with big international acquisitions. Financial markets loved the changes and Hoechst shares soared.

It all started to go awry last year when Mr Dormann reneged on a promise to float Hoechst Marion Roussel, the pharmaceuticals business built by melding Hoechst's drug operations with Marion Merrell Dow of the US and Roussel Uclaf of France.

HMR was to be floated to provide Dormann with funds to buy the remaining stake Hoechst did not own in Roussel Uclaf. The Roussel minority shareholders would be allowed to swap their stake for shares in the newly floated HMR. But Mr Dormann says that circumstances changed, making the flotation undesirable. The opportunity arose to sell another division – Hoechst's struggling speciality chemicals business – to Clariant of Switzerland. That sale gave Mr Dormann money to buy the remaining Roussel Uclaf stake without having to hand out HMR shares.

The wisdom of this decision seems vindicated: Clariant has prospered and the stake retained by Hoechst has earned impressive returns. But investors have not forgiven Mr Dormann for breaking his promise.

Michael Stone, chemicals analyst at Deutsche Morgan Grenfell in London, says: "There was euphoria surrounding Hoechst but then the market began to take a more circumspect view about what to believe about the pace of structural change."

He admits his task is to deflate expectations. He plays down the 1999 profits target and asks investors to look at the drugs HMR has in the pipeline

Mr Dormann remains unapologetic: "I am convinced today it was the right decision to keep 100 per cent of the business. These were the right moves. But how to communicate this back in 1996 and in a very short time?" He shrugs. Since then investors have attacked Mr Dormann because other businesses earmarked for disposal, such as Messer, the industrial gases group, have still not been sold or spun off. But Mr Dormann insists he will not be rushed into selling.

In the past weeks, he has nevertheless begun to address this criticism: Hoechst has rushed through the sale of most of its Trevira polyester businesses and has raised the idea of floating Celanese, its organic chemicals business, and Ticona, the polymers unit. This has won praise from analysts and could be the real explanation for the rally in the Hoechst share price.

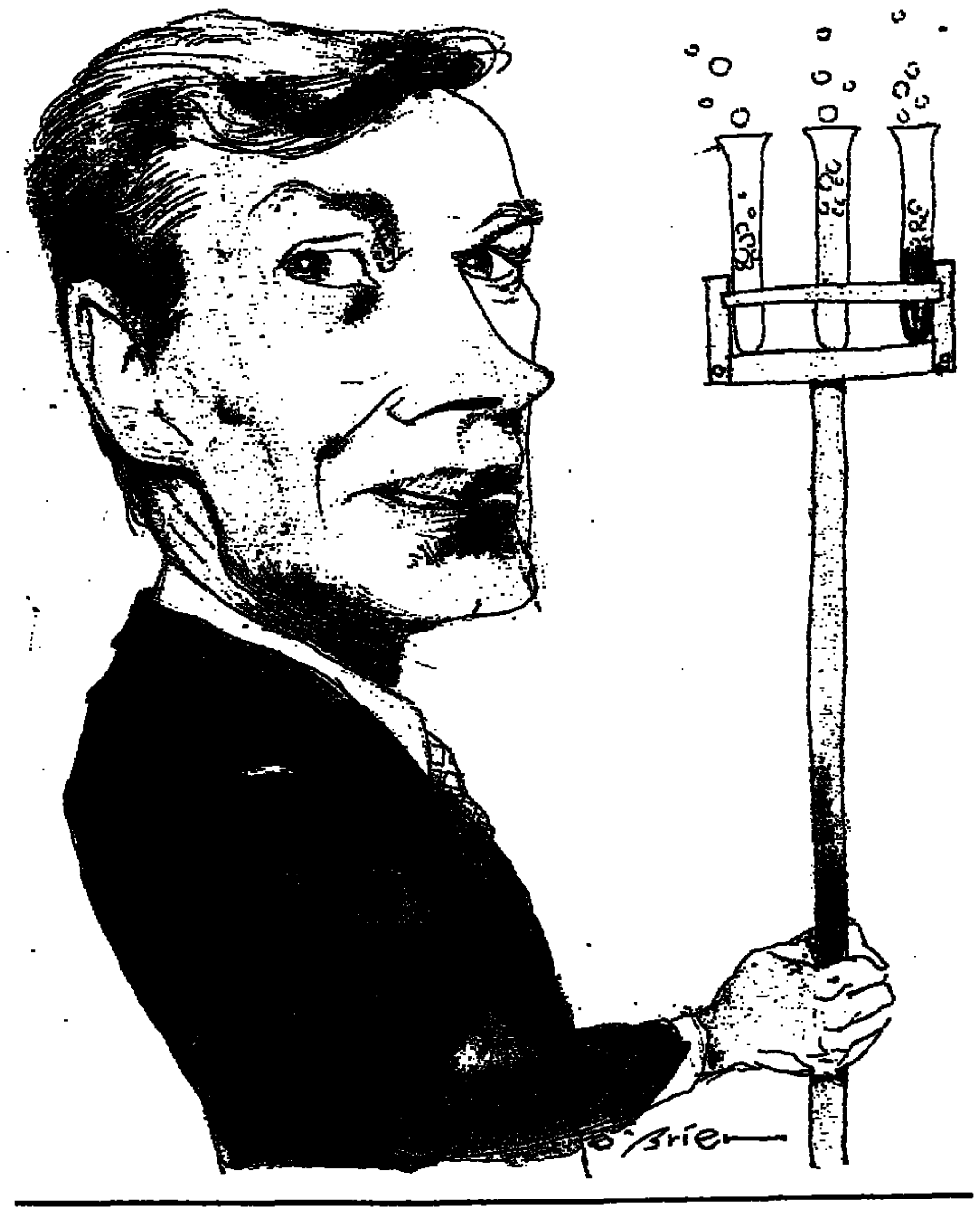
But the disposals are not Mr Dormann's only problem. HMR, the pharmaceuticals division that is now Hoechst's main business, is not performing well. There are cultural problems in joining together three very different companies in separate countries. There are also worries that HMR's laboratories are not coming up with enough exciting new drugs to ensure a bright future.

Mr Dormann defends the change that has turned HMR on its head. He says restructuring was necessary to break the cosy practices that used to typify Hoechst. "The changes we made and the noise we caused were because some people did not want to see change ... Over the last 10 years we have invested DM18bn (£6.1bn) in research and development in pharmaceuticals alone. This cannot go on. The question is not just to spend money for R&D but to bring products to the market and make money."

But he admits that his task is to deflate expectations. He plays down the 1999 profits target – operating profits at 20 per cent of sales by the end of that year – and asks investors to concentrate on the drugs HMR has in the pipeline, which he insists is improving.

Until Hoechst is once more valued by the stock market as it should be, he says, it will stay aloof from the pressures towards consolidation that are being felt elsewhere in the industry.

But Mr Dormann draws comfort from the fact that Hoechst shares remain the most actively traded of any German company on the New York Stock Exchange, where Hoechst listed last autumn. "There is a high degree of interest. We stick to our strategy and we come back," he says, the sparkle returning to his eyes.



ESSENTIAL GUIDE TO JURGEN DORMANN

Early life: born Heidelberg, January 1940. He is no chemist, but studied instead history, music, literature and economics at universities in Cologne, Berlin, Würzburg, Basle and Heidelberg.

Career: has spent 35 years of his life slowly climbing the corporate ladder at Hoechst.

Joined in 1963, in one of its sales and marketing departments. Became a board member in 1984.

Made a name for himself in 1986 when he oversaw the takeover of Celanese Corporation of the US, a division he now plans to float or sell.

In 1987, became chief financial officer, with special responsibilities for information technology.

Appointed chairman in April 1994, replacing the dour Wolfgang Hilger.

Says he had recognised what needed to be changed at the company long before he was promoted to the top job.

Social life and hobbies: a father of four, he lists hill-walking, reading, and football among his hobbies.

Told a newspaper in 1994 that his desired occupation was to be a writer.

Favourite author: Goethe.

Favourite composer: Mozart.

Motto: *Der Mensch irrt – solang er strebt*; roughly translated as he who tries hard will make mistakes.

LUCY KELLAWAY

No easy way to fire Gazza

There are some pieces of news that will always go down badly and some situations for which management tips are futile

Here is how you are supposed to sack someone. You call them into your room on any day apart from Friday. You tell them clearly that they are fired and you give a reason. Then you shut up, allowing the person to go through the usual cycle of disbelief, anger, depression and acceptance.

On the face of it, Glenn Hoddle, manager of the England football team, did not start off too badly. "Paul," he apparently told the recalcitrant star. "I'm sorry but you are not coming to France. You are not fit enough." As messages go, it could not have been clearer.

But instead of going through a cycle, Gazza went through the roof and stayed there. "I completely lost it," he told The Sun. "I went mad, berserk. I was shouting and swearing. I couldn't believe the injustice of it."

Management texts suggest the best way of dealing with someone who is angry is to say something like "I can see that you are angry". Hoddle evidently did not try that one: if he had, he might have ended up in hospital.

But could he have handled it better? According to the Industrial Society, he could. For a start, there is no excuse for delivering a bolt from the blue. Any manager who has not prepared the ground in advance has not done his job properly. Second, the message could have been better packaged with more supporting evidence, concentrating more on the *what* than the *who*. And finally, Hoddle should have made sure that Gazza had somewhere neutral to go afterwards to cool down.

All good advice, probably, but I am not convinced that any number of management tips would have made any difference. There are some pieces of news that are always going to go down badly and there are some people who are always going to go berserk. Had I been in Hoddle's position, I would have done one thing differently. I would have gone out and bought a panic button of the sort used by personnel officers in one big bank recently when it went on a firing binge.

* * *

I regret to inform you that managementspeak has become even trickier. It is no longer enough to learn new buzzwords: now simple, everyday words suddenly mean something else.

Take the following example from the annual report of consultants Greenwich Associates: "True growth is very different from mere expansion – because "Growth" means getting *better*, while "Expansion" only means getting *bigger*."

That was news to me, and if it had come from anyone else I would have binned it. But Greenwich Associates is at the forefront of managementspeak and deserves to be taken very seriously indeed.

Consider its motto: "Our continuing Dream is to develop as a professional firm that continues to achieve greater and greater sustainable harmony between the disciplines of internal and external objectives." This is the perfect mission statement. It sounds impressive with all those lovely words. But when you start to unpick it, it seems to mean nothing whatsoever, which is presumably the point. The only weak spot is the "continuing Dream", which implies that the company will remain fast asleep, which may not be quite the message they want to get across. Unless the unusual use of the capital D is a signal that they have changed the meaning of the word dream as well.

* * *

Are people sometimes rude at work? Obviously. Are people more likely to be rude to underlings than to superiors? Of course. Is it nice when someone is rude to you? No, it is not.

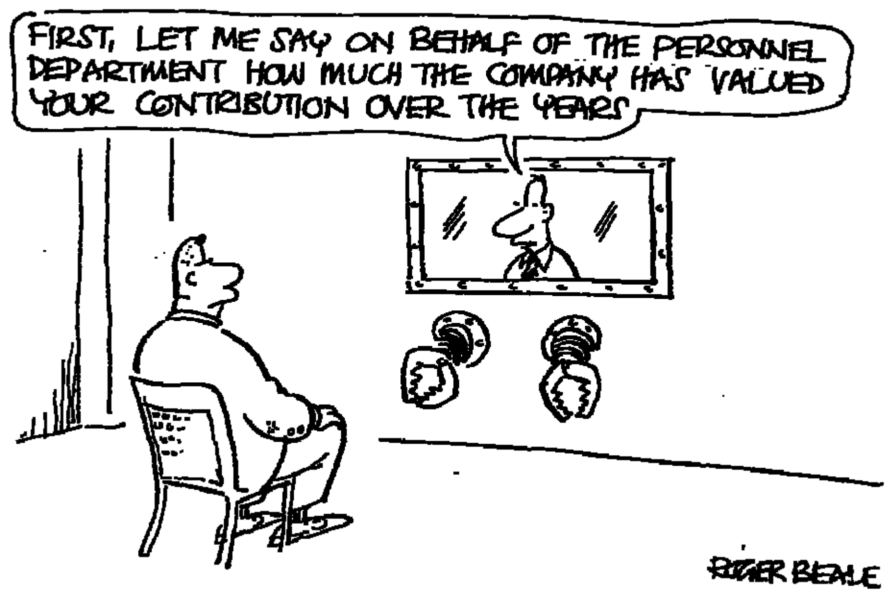
You might think it was all a bit, well, obvious. Yet researchers at the University of Carolina have been conducting a "four year multi-method, multi-disciplinary study" into these issues, and – surprise, surprise – they have found out what you could have told them for nothing.

That is not to deny that their study added value. They discovered that the average rude employee is 41 years old (the range was 19 to 72). So now you know.

* * *

Take care if you have been to the dentist recently. Take extra care if you have a new suit, a new haircut, if you leave work on time, or if you ever talk quietly on the telephone. All are tell-tale signs that you are secretly looking for a new job. That is, according to a survey by headhunter Robert Half.

I can offer some simpler explanations. I go to the dentist a great deal, a sign that my teeth are terrible. I always leave work on time, a sign of my superior time management. If I wear something new, it suggests I have been shopping. A new haircut signals that my hair had got too long, and talking quietly on the phone is a sign that I have a life outside work. If I happen not to be looking for another job, it may be because my employer is sensible enough to allow me to do all these things without jumping to any conclusions.



INSIDE TRACK

INTERVIEW LUCA DI MONTEZEMOLO, CHAIRMAN OF FERRARI

Enthusiast numero uno

Paul Betts finds the man behind the revival of the legendary marque is perfectly suited to the part

Luca di Montezemolo is the kind of man you expect to find driving a Ferrari. Good-looking, flamboyant, charming in that easy, jet-setting manner. You would expect him to dabble either in the film or fashion business – perhaps both. Yet Mr Montezemolo has run for the past eight years what he himself concedes is a most peculiar manufacturing company.

After organising the 1990 soccer world cup in Italy, he was brought in by Fiat, the Turin automotive conglomerate, to revive the flagging fortunes of Ferrari. Fiat's pedigree sports car subsidiary had fallen on hard times, both on the Formula One circuit and in the commercial market.

Its legendary founder, Enzo Ferrari, died in 1988 and the company had lost its way. It was battered by the crisis that hit the world car industry in the early 1990s, and if it was selling cars it was solely because of its name.

This is no longer the case. Ferrari is back on top, giving McLaren a run for its money in the F1 championship and manufacturing again what are arguably the best and most exciting sports cars in the world in spite of growing competition from bigger rivals such as Porsche, BMW, Mercedes, Jaguar and Aston Martin.

As Michael Schumacher screeches around the nearby F1 test track, Mr Montezemolo explains why Ferrari is unusual. It does virtually everything in-house at its small plant in Maranello, outside the central Italian city of Modena: from the foundry to the final assembly line. "We are like General Motors with the same problems but on a smaller scale," he says.

"We sell our cars in 40 markets accounting for about 90 per cent of the world automotive market. And we export 90 per cent of our production. In this we are similar to the fashion industry except they only export design while we also export technology."

After reorganising and re-engineering the plant, winning important labour concessions to improve productivity through a system of performance pay related to quality of output, Ferrari renewed its car range "keeping the key elements of a Ferrari but addressing new market demands".

The three main characteristics of a Ferrari, Mr Montezemolo explains, are extreme performance, design and emotion of driving.

"Extreme performance is not just speed. These days you can buy a Golf GTi with super speed. It means you can do anything such as braking in one centimetre. The car also has to be like a girl making you fall in love at first sight. As for emotions, the engine must sing to you and the car must make you feel you are driving something unique."

At the beginning of the 1990s, Ferrari's range was based on two models, "with two seats, very uncomfortable, very extreme", he says. "We decided to do a number of things: build cars that were less difficult to drive, keeping the basic Ferrari characteristics but which were not just for rich collectors but something for enthusiasts to enjoy. We then developed a small range of products with the slogan 'different Ferraris for different Ferraristi': one with the engine in the front, another in the back, a two-seater, a two-plus-two seater. We also now offer 17 different colours and you are no longer obliged to buy the Ferrari red."

As a result, Ferrari's market broadened. Mr Montezemolo toyed with the idea four years ago of building a smaller, less expensive Ferrari. "But I've decided I'll never do a small Ferrari. It would destroy the concept just as I will not produce more than 3,500 cars a year in spite of far greater demand because I want to preserve the marque's exclusivity. I don't want to take any risks on quality and I don't want to lose control of the used car market."

Montezemolo: 'The car has to be like a girl making you fall in love'

There is strong technological support. "We spend more than any other car manufacturer on research and development as a percentage of sales," he explains. Ferrari last year spent about L150bn (£53m) on R&D on sales that topped the L1,000bn mark for the first time in the company's 51-year history. Pre-tax profits were also sharply higher at L37.8bn compared with L12bn in 1996 reflecting the company's turnaround.

To consolidate its position in the super sports car market, Ferrari continues to glean new technology from its motor racing activities. It recently adapted its F1 transmission system whereby the driver changes gear by flicking small panels on each side of the steering wheel to its 355 sports cars. Mr Montezemolo believes the system will eventually "revolutionise the way we drive". Already BMW is considering introducing such a system and Fiat is also planning to adapt it to some of its models.

The problem for Ferrari is that there is a limit to extremes. "You can't keep pushing the prices up [they start at $150,000] because you might as well then buy a helicopter and you can't keep pushing up performance because you will end up with a jet and not a car," Mr Montezemolo says.

For this reason, he has also been nurturing the Ferrari *numero uno* image. The idea is to make Ferrari owners feel special. Thus customers since last year can customise their cars to make them unique. Customers can also tour the plant, take special driving courses and gain a *pilota Ferrari* certificate, and acquire a range of products from expensive watches to golf bags developed under careful licensing and merchandising agreements to protect and enhance the famous brand.

"It's also quite a good little business," he says. Merchandising last year earned Ferrari L20bn in royalties. Displaying on his desk samples of his catalogue, Mr Montezemolo quickly adds he has no intention of turning Ferrari into "a supermarket".

MANAGEMENT MASERATI'S MODERNISATION

Rebirth in the fast lane

John Griffiths on the uniting of Fiat's two luxury car operations for a global relaunch

A network of 1,000 component makers supplying Fiat's Ferrari and Maserati exotic cars subsidiaries is to be cut to fewer than 400 as part of a global relaunch for Maserati, the luxury sports carmaker bought by the Fiat group from De Tomaso in 1993 to save it from bankruptcy.

Maserati, which has been placed under the control of Ferrari managing director Paolo Marinsek, is to share components suppliers – although few components – and showrooms with Ferrari. The two companies will also develop joint logistics, administrative and other activities where savings can be made without compromising either company's identity, says Mr Marinsek.

The 60-year-old Maserati factory at Modena, northern Italy, has been completely re-equipped by Comau, Fiat's robotics and process equipment subsidiary. There will be several new models – the first a coupé to be unveiled in Paris in September.

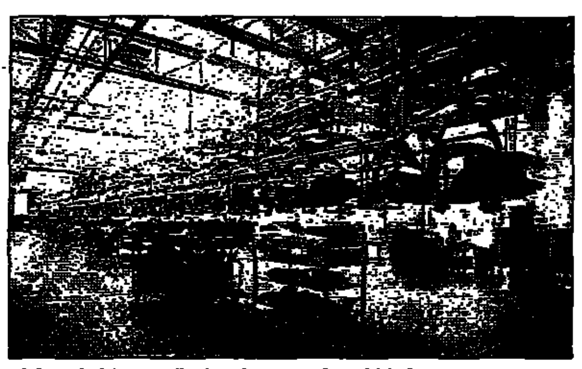
The modernisation of the factory aims to demonstrate that the severe quality problems that have plagued Maserati – last year sales fell to less than 700 – are a thing of the past, says Sergio Borssari, production director.

The assembly facilities, to which more than 300 workers are returning, include a line of advanced "cradles" allowing the first car in production – a heavily revised version of the Quattroporte saloon – to be worked on from any angle. Some 400 of the car's 800 main components have been changed as part of the quality drive, says Mr Marinsek.

Some L20bn (£7m) is being invested in Maserati's revival – a small amount by Fiat standards but significant for an operation that expects to produce only 1,000 cars this year, 2,000 in 1999 and not reach 6,000 units until early next century. Breakeven should come at the 3,000-a-year level, according to Mr Marinsek.

However, a question mark hangs over the true extent of Fiat's ambitions for Maserati. Its cars, which will include an open two-seater and new saloon by 2002, aim to sell in the $70,000-$125,000 (£43,000-£76,000) range – similar to Jaguar models achieving 40,000 annual sales or more.

"Maserati is not much like a Jaguar; it is more sporty and appeals to a smaller market," says Mr Marinsek. Nevertheless, he does not rule out Maserati's output eventually rising above 6,000 – although to do so would require an additional plant.



High tech: The 'cradles' at the re-equipped Modena factory

This would not present too many difficulties, as the Modena plant is mainly an assembly facility. Bodies for the Quattroporte are delivered from Goldcar, an independent fabricator in Turin, to Ferrari where they are painted before being shipped from Modena. Gearboxes are supplied by independents Getrag and BTR. The twin-turbocharged engines are Maserati's, but are assembled at Modena. The engine castings come from Zeus, the UK foundry concern, and Ferrari's foundry at Maranello. And the new coupé's body is outsourced, from Turin bodybuilder Itcar.

Maserati's dealer network will more than double to 39 countries. By September it intends to have 115 dealers compared with the current 61 – an ambitious programme made possible by giving Maserati space in 82 Ferrari dealers' showrooms.

One of the most significant steps for Maserati's rebirth will come in 2001, when the launch of a two-seater convertible will take the company back into the North American market, from which it has been absent for some years. The product range will be completed with an all-new saloon a year later.

TIM JACKSON
ON THE WEB

Persistence translates into success

Many internet-based companies fail first time round. But reassessing the business model may often transmute failure

Businesses on the web, like those elsewhere, often succeed at the second attempt after an early version has proven flawed. A case in point is Onsale, the online auction house that was forced to abandon acting as an agent for sellers and instead became a retailer. Its third birthday this month. Onsale is now a public company with a market capitalisation of about $600m (£366m).

With hindsight, the shift in emphasis may seem obvious, but at the time things can look very different. Take Aleph.com, an online translation agency covered in this column in April 1997.

Aleph was founded by Michael Demetrios, a San Francisco-based consultant, on the premise that the fragmented translation industry is ripe for consolidation via the internet. With his own money and a single backer, Mr Demetrios built a web site where customers needing translations could specify the languages they wanted, browse the CVs of individual translators, and obtain a quote based on word length and experience of translator. Jobs were sent to and from translators all over the world via e-mail.

The service had advantages over traditional agencies. Translators generally live in the country of the language they are translating, implying more familiarity than an expatriate who lives abroad. And Aleph used its low costs to reduce prices – receiving 10-35 per cent of the price, compared with 50 per cent charged by most agencies.

By April 1997 Mr Demetrios had signed up blue-chip customers including Rockwell, The Gap, Hewlett-Packard, Boeing and Bell Labs, as well as 3,000 translators. However, there was little business, and, according to one account, Aleph failed to raise the $500,000 needed to achieve $3m in sales.

At the same time he made a presentation at the Venture Market conference organised by the Red Herring magazine in San Francisco. Among his audience was Massimo Fuchs of WorldPoint, an Hawaii-based electronic-commerce company. Last autumn WorldPoint acquired Aleph, paying for the company with an undisclosed quantity of its own stock. An indication of the price can be seen from Mr Fuchs' estimate that Aleph's sales in 1997 were $150,000.

Last week WorldPoint reappeared at the London Venture Market conference reincarnated as a company on a mission to offer "one-click multilingual communications solutions". Mr Fuchs has made several changes to the Aleph business model. Gone are the translator's CVs. WorldPoint promotes itself as a seamless translation brand with quality-assurance. Gone too is the system of sending documents back and forth by e-mail.

Instead, a young developer at WorldPoint called Olin Lagon has written a user interface that automates the process of translating a web site. After opening an account with a credit card – a process that takes only 90 seconds – you can set target languages and check off pages to be translated from a list produced automatically by the software. WorldPoint chooses the translator, sets a price for each language, and provides an automated quote based on the word length of each web page.

But the company is not positioning itself only as a service for web sites. WorldPoint is developing a software plug-in for Microsoft Word, which can be downloaded free off the web and will add an item to the program's File menu allowing customers to send a document to WorldPoint for translation in a few clicks. The company is also working on a plug-in for the Eudora e-mail package.

Mr Fuchs claims the company has sold translation services worth $300,000 during the past six weeks. He says it is on target for sales of $3m this year and $15m next year. The company has also agreed to sell one-seventh of its assets to venture capitalists for $5m.

Mr Fuchs argues that the translation market is worth $32bn and is growing at an annual rate of 30 per cent. WorldPoint would, of course, need only a tiny slice of that to justify the most aggressive valuation.

But the important point behind Aleph's failure to capitalise on its first-mover advantage may be that users of translation services prefer meeting the agency providing the service. So Mr Fuchs is setting up offices in Honolulu, Dallas, San Francisco, Zurich and possibly Tokyo.

That may well be the magic ingredient that turns Aleph into Onsale. But it is worth remembering that the creature whose persistence prompted Robert the Bruce to invent the proverb "If at first you don't succeed, try, try again" was a spider spinning a web.

BUSINESS TRAVEL DUBLIN

Cool Hibernia gets better – and busier

Gillian Upton finds that as the economy thrives, standards are improving

Forget Cool Britannia – the action is in Cool Hibernia.

Ireland's vibrant economy is attracting a crowd of international companies, including US computer groups, UK retailers and home-grown construction companies. For the business visitor to Dublin, this brings advantages and disadvantages.

There has been a rash of hotel openings, while others have been spruced up. The influx of foreigners has also raised standards in restaurants, which include Ireland's first two-star Michelin venue, Restaurant Patrick Guilbaud in the Merrion Hotel.

Fortune magazine cited quality of life when it named Dublin as best city in Europe for business, beating Amsterdam and Barcelona.

However, there is a downside to all this activity. Allow plenty of time to get to appointments, as traffic congestion is appalling. The city is to build an underground city rail system – and surface system in the suburbs – but relief is a long way off. The first phase will not open until 2002.

Taxis in Dublin can be rare. Too few licences are given and there is a strong lobby against granting more. It is best to order one from a hotel. The wait can be interminable, so book ahead.

Demand for conference and meeting space is not being satisfied either. The Irish government is currently deliberating over the location of a big new convention centre.

Dublin is also pricier than before. Residential property prices rose 25 per cent last year, while full hotels mean higher rates.

However, hotel development is a growth business. A Four Seasons hotel will open at the end of next year, and there are at least another three projects, including a Sheraton or Westin. By the end of next year, there will be 4,000 rooms in Dublin of 3-star quality and above.

The Clarence began the renaissance two years ago. A discreet, 50-bedroom designer hotel in the trendy Temple Bar area, its understated design, good service, comfortable rooms, great restaurant and lively bar attract city brokers and media workers. Rooms are from I£175 ($248).

A budget option is the nearby Morgan, another contemporary hotel (rooms from I£95). Ask for a room at the back, because of proximity to the Thunder Rock Café.

Grabbing all the attention has been the Merrion, a traditional hotel designed around four Georgian townhouses opposite the parliament. It offers grand marble bathrooms, in-room business facilities, an elegant public drawing room, extensive spa and three restaurants. Rooms from I£190.

Renovations have also put Dublin's grand dame, the Shelbourne Meridien on St Stephen's Green, back on the map. Even its famous Horseshoe Bar has had a lick of paint. It has kept its old-style barber shop, opened a large fitness centre, and added the Side Door, a casual dining venue, to complement its fine dining restaurant, No 27 The Green. Rooms from I£152 (de luxe I£225).

Diagonally opposite, the Fitzwilliam opens in a few weeks. It is a designer hotel: it will have a roof garden, while the centrepiece of the lobby is a drawbridge and castle. There are well kitted-out bedrooms and two restaurants (one run by celebrity chef Conrad Gallagher). Rooms from I£175.

Essential Guide to Dublin

Airlines: Aer Lingus, British Airways, British Midland, City Jet, Jersey European, Manx Air and Ryanair.

Hotels: (00 353 1) Clarence, 6-8 Wellington Quay, tel 670 9000, fax 670 7800.

Fitzwilliam, tel 478 7878. (A Summit Hotel; res: 0800 556555).

Merrion, Upper Merrion Street, tel 603 0600.

Morgan, 10 Fleet Street, Temple Bar, tel 679 3939, fax 679 3946.

Car hire: Alamo, tel 8444 086; Budget, tel 8445 150; Hertz, tel 8445 466.

Restaurants: The Tea Room, 6-8 Wellington Quay, tel 670 7766.

La Stampa, 35 Dawson Street, tel 677 8611.

Restaurant Patrick Guilbaud, Upper Merrion Street, tel 603 0600.

TRAVEL UPDATE

Europe revives issue of air seat compensation

European transport ministers will try again this month to resolve the thorny issue of compensation for travellers bumped off flights. Four months ago Brussels proposed raising the minimum airlines must pay by 23 per cent to at least Ecu185 (£125) for flights up to 3,500km, and Ecu370 for longer trips – unless the airline gets you on an alternative flight within two or four hours respectively, in which case the amounts would be halved.

EasyJet early booking bonus

EasyJet, the low-cost airline, will charge early bookers £140 return for the first three weeks of its service between London Stansted and Athens, planned to launch on July 10. After that, tickets will range from £160 to £220, with the cheapest going to those who book furthest ahead.

Business hotel for Pune

Forte is to manage a new $18m business hotel in Pune, 75 miles east of Bombay. Due to open early next year as part of the group's Méridien division, it will have 200 rooms and banqueting for 1,200 people. Pune is a centre of India's car industry.

Laptops and juice find flavour

Business travellers would rather stare at their laptops with an orange juice than chat over a gin and tonic, according to a survey of executive lounge users by the International Airline Passengers Association. Less than half of the respondents drink alcohol or eat in the lounge, while 40 per cent want access to fax machines, and 35 per cent to PCs and photocopiers. But it is not all work: 38 per cent would like the services of a masseur.

Asian crisis cuts room rates

To counter the impact of the Asian crisis, Sol Melia, the Spanish chain, has reduced its rates at five hotels in Indonesia, Thailand and Malaysia until August 31. At the Sol Twin Towers, Bangkok, a room comes down from Bt2,900 (£42) without breakfast to Bt1,250 including it.

Roger Bray

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	24	23	24	26	24
Hong Kong	30	29	30	30	29
London	19	20	18	18	18
Frankfurt	22	23	22	19	18
New York	21	24	21	23	27
Los Angeles	20	20	21	23	27
Milan	25	28	27	26	26
Paris	21	23	20	18	18
Zurich	20	22	21	17	16

Information supplied by FT WeatherCentre. Maximum temperatures in Celsius

BUSINESS EDUCATION

BUSINESS EDUCATION OUTDOOR LEARNING

A breath of fresh air for managers

Della Bradshaw takes a strictly non-participatory look at outdoor team building

One wanted to be an elephant: another chose a giraffe: a third elected to be a cat; and a fourth a snake. Animal roles chosen, the 15 women standing side-by-side on the log waited for their instructions. They had to realign, with the largest animal at one end of the log, the smallest at the other. They had five minutes to do it and, of course, they were not allowed to step off the log.

Should they climb over each other, shimmy past each other face-to-face, or devise some other scheme for changing places? One point of the exercise was that they had to "snuggle up" to each other in order to complete the job, as one of the staff at Ashridge Management College put it.

For those who deride the "touchy-feely" school of management training, "snuggling up" is probably the final straw. But Ashridge, which is situated deep in the Hertfordshire countryside, has made personal development and softer skills the hallmark of both its executive courses and MBA programme. And for many participants, outdoor learning may prove to be the highlight of the programme.

Their five minutes up, the 15 women got down from their log disheartened at failing the task in hand. But failure on the first element is often built into programmes such as this, explains Keith Milmer, director of Ashridge's two-year MBA programme. "To begin with they are not a real team, they are a pseudo team. They are working together but at less than the ability of the worst."

As the afternoon progresses – an Ashridge outdoor session would typically last one afternoon – the participants learn to work together. Different elements of the course may be organised to make the programme more or less challenging. Mr Milmer admits that he can often be pretty tough on his MBA participants, sometimes setting the exercise up to ensure they fail, at other times throwing in surprise elements halfway through the programme to see how they cope. Such an approach can produce positive results on a longer course.

Kate Charlton, corporate development director at Ashridge and organiser of the one-week Business Leadership for Women programme, takes a much kinder view of her course participants, who come from a host of different backgrounds and companies.

Throughout the afternoon they were encouraged to reward good work, listen to less forceful members of their group, and follow their individual "learning goal", which could be anything from being more assertive to just "chilling out a bit".

The crux of outdoor learning is the debriefing that follows each exercise and the debrief that follows the whole afternoon's exercise, says Mr Milmer. "The group increasingly takes responsibility for the quality of the debrief. This way they can acquire the skills themselves to take back to the workplace."

The outdoor learning environment (known as olé to staff and course participants alike) was built five years ago in extensive gardens at Ashridge, the first business school in the UK to have on-site facilities. Some 2,500 of the 6,000 participants on Ashridge's executive training programmes use olé every year as well as the participants on the MBA programmes.

Some of the 25 discrete elements have been designed to promote leadership skills, others to promote coaching, and others to promote consultation. Taking course participants outside the classroom robs them of their usual business props, says Mr Milmer: "If you take them outside, then they are not pulling on the flip-chart approach. They have to pull on other resources."

Not surprisingly, many participants find the concept daunting. Many, says Mr Milmer, are afraid of the unknown, others afraid of being embarrassed. However, with many Ashridge participants aged in their fifties and sixties, he stresses that the exercises are not meant to be either physically or emotionally difficult, unlike many outdoor learning centres where the equipment may resemble an army assault course.

Pregnant women have happily completed the programme – as has one man with an artificial leg.

Nonetheless, there is some physical effort involved. At the end of one exercise, where the individuals had to squeeze through the space between the ropes of an enormous mesh – known as the spider's web – Ms Charlton asked the participants whether they would like to change anything before the next exercise. "Yes," came one reply. "Lose three stone."

NEWS FROM CAMPUS

Insead bags European case awards

Insead has swept the board at the 1998 European case awards, which honour the most popular case studies produced by European business schools. The school scooped five of the seven awards, including the much coveted overall winner.

The winner was the Zantac case, written by Insead professors Reinhard Angelmar and Christian Pinson. Insead also won in the accounting, finance, human resource management and production and operations management categories.

The winning marketing case was written by faculty from Iese in Barcelona, and is titled *Häagen-Dazs ice cream: the making of a global brand*. The Copenhagen Business School won the policy and general management award for a case by three of its faculty about Nokia.

The awards are given by the European Case Clearing House and are based on the number of new adoptions over the past five years – that is, the number of times the case is used to teach at business schools or in companies.
Insead: www.insead.fr

Sharpen up on marketing skills

Manchester Business School in the UK is holding a free seminar entitled *Cutting Edge Issues in Marketing* at the business school on June 19.

Developed in conjunction with the Manchester Chamber of Commerce, the one-day forum is intended for middle and senior managers with decision-making authority.

● The Centre for Comparative Research on Economic Systems and Organisational Change at Manchester Business School is running a workshop on the Asian economic crisis on June 9. Speakers will come from a number of European business schools as well as MIT and the University of Singapore.
Manchester: http:// www.mbs.ac.uk

Sound advice on presentation

Business school faculty from Indiana University is learning the skill of delivering soundbites. The Kelley School of Business is sponsoring its own business television show, which appears every Sunday morning after the big-hitting political shows.

For its annual sponsorship of $200,000 (£122,000) the school gets three 30-second spots each episode plus a two-minute business commentary.
Kelley: www.bus.indiana.edu/

Getting to the core questions

First-year MBA students at the Anderson school at UCLA have eschewed the case study in favour of learning about corporate strategy through a *living case*: Apple Computer.

The students have been analysing the turnround at Apple by questioning board members who visited the school in March and April. The living case will culminate in a showcase of the 10 best student group presentations to Apple executives later this month.
Anderson School, UCLA: www.anderson.ucla.edu/

Executive development

The Strathclyde Graduate Business School in Glasgow has launched a series of executive development programmes. They include Knowledge Management (June 11), the ABC of Customer Care (June 22/23) and Global Marketing and Strategic Alliances (June 29).
Strathclyde: UK, (0)141 553 6167

Information for News from Campus should be sent to Della Bradshaw,
The Financial Times, One Southwark Bridge, London SE1 9HL.
Tel. 44 171 873 4673 Fax 44 171 873 3950

POTTED GURUS ABRAHAM MASLOW

Persuasive voice in the search for motivation

Elton Mayo's observations during the 1920s that the spur to higher achievement was governed by more subtle mechanisms than those employed by scientific management may have done little to persuade business. Nonetheless, his work helped stimulate study of human motivation.

Mayo and Mary Parker Follett, a US political scientist, carried the banner for a humanist approach to management that rejected the stopwatch-inspired controls of Frederick Taylor. They also paved the way for a new branch of workplace psychology dedicated to the study of motivation.

Among the most influential of these studies were those carried out by Abraham Maslow, a behavioural psychologist who, while working as an assistant professor at Brooklyn College in 1943, drew up a list of human needs that had to be satisfied as people strove to fulfil their individual potential.

This "hierarchy of needs" begins with the basics of food, warmth and shelter, making way to progressively more sophisticated categories and culminating in a need for "self-actualisation" – what might now be described as "doing your own thing". This occurs, according to the theory, after you have achieved economic and social fulfilment.

Frederick Herzberg fleshed out these theories in his 1959 book *Motivation to Work*, based on interviews with 203 engineers and accountants in Pittsburgh. He separated those elements of work which serve purely economic needs – pay, working conditions, benefits and job security – from those which met deeper aspirations – achievement, recognition, job satisfaction and personal development.

Deterioration of the first set of factors, he argued, led to job dissatisfaction and a disinclination to fulfil the second set. True workplace motivation, he concluded, had little to do with financial reward or pressure and far more to do with what he called "job enrichment".

Other influential work on motivation was carried out by Douglas McGregor. His Theory X and Theory Y contrasted what might be called traditional and progressive forms of people management.

The traditional model – Theory X – assumed that people needed coercion to work. Theory Y assumed that people had a psychological need for work and responsibility.

The theory was put into practice by Procter and Gamble at a detergent factory in Augusta, Georgia, which Mr McGregor helped to design in the 1950s. The plant, which ran with self-managed teams, proved a third more productive than any other of the company's plants.

The work of Messrs Maslow, Herzberg and McGregor has proved fertile ground for today's management theorists, including William Ouchi whose 1981 book, *Theory Z*, built on Mr McGregor's later work.

Further Reading: *Motivation and Personality* by Abraham Maslow, Harper and Row.
Quote: "We do what we are and we are what we do."

Richard Donkin

JAMES BLITZ
FILE FROM ROME

The changing shape of family life

Italy's birth rate is declining rapidly as more couples opt for only one child

Every Sunday morning, my wife and I take our two children, Sam and Lara, for a stroll through the cobbled streets of Trastevere. More often than not, as the pushchair rattles over the pavement, we hear the odd remark from passers-by.

"Are they both yours?" is one frequent comment, even though there is no good reason to think the children belong to anybody else.

"You must have had twins" is another remark, even though – aged two-and-a-half and one – our children look pretty dissimilar.

"Did you decide to have two children *on purpose*?" is a question we were once asked when striking up conversation near the frescoed steeple of Santa Maria in Trastevere.

Italians have a tremendous fondness for children as everyone knows, and *la famiglia* is one of the cornerstones of Italian life. But one thing that seems to surprise Italians these days is the sight of a couple in the street with two or more children. It is increasingly the norm for Italian couples to have just one child. A growing reluctance to make babies has given this country one of the lowest birth rates in the world.

"The declining number of children and the growing number of elderly people is the biggest problem facing our country in the next century," says Paolo Garonna, head of Istat, the Italian statistical institute. "Other countries face similar demographic problems, but the pace of change here is so great that it is tearing the fabric of society."

The statistics explain his concern. The Italian fertility rate is 1.2 children per woman, compared with nearly 2 in the US. Deaths have now outpaced births in Italy for five years in a row. In Parma, the population is expected to shrink from 175,000 to 40,000 in the next 50 years. Today there are roughly the same number of Italians over 65 as there are Italians under 15. In 50 years time, that ratio will be 2.7 to 1.

Why are Italian women giving birth to fewer children? The short answer is that they seem to be waiting longer before having them. Some 20 years ago, Italians – like many other southern Europeans – were getting married in their late teens or early 20s. Now few of them get into wedlock before 28 and many wait until their 30s.

There are various reasons for this. A growing number of Italian women want to develop careers, although here – where the equal opportunities culture is still weak – the trend is not as strong as in other European countries.

In the south, childlessness was once deemed a stigma whereas this is no longer the case. Moreover, there is growing pressure on Italy's younger generation to spend its disposable income on luxuries rather than kids. Panorama, the weekly magazine, recently pandered to its readers' fears with an in-depth survey on the cost of bringing up children.

"You can either bring up a child till he's 22 or buy *una bella casa* worth about a billion lire," it said.

There are, however, two particularly Italian factors behind the low birth rate. First is the impact of higher unemployment in the south. Many young men often have to wait until their early 30s before getting what they deem to be a stable and decent job. They therefore put off the commitment of marriage and children until later.

Moreover, there is a marked reluctance among Italians to leave the parental home before their late 20s or even 30s. Many are forced to stay at home because of the chronic shortage of residential accommodation in Italian universities; or because Italy's small rental market makes it hard to move out. Anyway, living at home with *la mamma* is not the embarrassment it might be elsewhere in Europe. Nearly 60 per cent of Italians aged between 18 and 34 are still doing so.

Why does all this matter? Concerns about Europe's ageing population, declining workforce, and the implications this has for financing public pensions has been expressed for some time. Italy has one extra concern. It has a strikingly inefficient public administration which has always leaned heavily on the extended family to carry the burden for the failings of the state.

In many Italian hospitals, it is the family that keeps the patient cheerful, making up for what is often minimal nursing care. In the southern regions, in particular, it is the family that is the shock absorber when young people hit hard times.

The Italian government provides few targeted benefits for the jobless, the sick and the disabled of the kind that exist in, for example, the UK. Instead, the Italian family plays the role of benefit office, acting as a kind of clearing house for generous state pensions that are paid to the head of the household.

It is not hard to see why Mr Garonna believes the declining birth rate tears the fabric of Italian society. The family is the warp and weft of Italian life. Its decline means Italy urgently needs to create a new and more efficient welfare state to replace the family in the next century.

Growing pains: Peter Goldsbrough is working with plant DNA, analysing the way in which plants absorb cadmium

ENVIRONMENT POLLUTION CLEARANCE

A harvest of heavy metal

Genetically altered plants that absorb toxins can be used to clean contaminated industrial sites, says **Gabriele Marcotti**

Enter the term "phytoremediation" into your internet search engine and you will probably find more than 2,000 citations. Talk to your local environmental activist and he will most likely wax enthusiastic about the benefits of using heavy metal absorbing plants to cleanse toxic urban wastelands.

And if you have some extra venture capital lying around you may be steered towards companies such as New Jersey-based Phyto-Tech, which aims to develop and market phytoremediation techniques and has already worked on sites in Sheffield and Chernobyl.

As environmental concerns grow, more and more cities are forced to deal with abandoned industrial sites where years of antiquated production techniques have left the ground teeming with toxic heavy metals.

Engineering-based solutions provide one approach to reclaiming the land, though they can be expensive ($1m- $3m [£600,000-£1.8m] per acre). Another alternative, employing chemical agents to extract the metals, often results in sterile, low-quality soil.

Enter phytoremediation, a promising, though largely untested technique. The idea is that because some plants naturally absorb certain heavy metals such as cadmium and mercury, they can be used to clean up industrial sites: simply fill the area with metal-absorbing plants, wait a while and then harvest the lot.

Obviously, it's not quite that simple, but phytoremediation projects have enjoyed some success around the world. At the University of Georgia in the US for example, molecular biologist Rich Meagher has turned Arabidosis Thaliana, a distant cousin of the common cabbage, into a relatively efficient mercury extractor by manipulating it genetically.

The new, improved Arabidosis has a shorter life span, so that it can be grown and harvested six or seven times a year, and grows up to 40cm in height, allowing it to absorb much more mercury.

Meanwhile, Peter Goldsbrough, genetics professor at Purdue University in Indiana, is also working with plant DNA, but from a somewhat broader perspective. Prof Goldsbrough is analysing the way plants absorb cadmium and experimenting with both the absorption rate and the partitioning of the metal once it is absorbed (where it will be stored in the plant).

"Obviously if you're going to use plants to clean-up toxic sites you'll want to increase the absorption rate," he says. "But in many cases you want to decrease it. For example, if you are growing a vegetable crop in Poland or elsewhere in eastern Europe which has suffered from pollution, you will want to decrease the uptake of metals.

"Also, we are trying to determine how it is partitioned, whether it is in the roots or the shoots. Clearly, in the case of phytoremediation plants, you would want the metal stored in the shoots, where it can be easily harvested."

Prof Goldsbrough's team focuses on tweaking phytochelatin and metallothionin, two compounds that occur naturally in plants and bind heavy metals once they are absorbed in the plant cell. Once bound, they begin to detoxify the metals, allowing them to be stored in the plant without damaging it.

Developing the ultimate plant is the holy grail of phytoremediationists.

"You would need to engineer a plant genetically that has a high biomass, ie. it would have to be very large," says Prof Goldsbrough. "It would also need to be sturdy and capable of growing in contaminated sites. And it would have to be able to absorb lots of metals in its shoots, above ground, so that it could be harvested and, ideally, the metals extracted and recycled."

That is the next step: once the plants are harvested, the metals could be extracted and – theoretically, for now – recycled.

Heavy metals' most annoying characteristic, that it is very difficult to get rid of them, is also potentially their biggest strength: they can be used again and again.

This is why companies such as DuPont in the US and British Nuclear Fuels in the UK are investigating the feasibility of phytoremediation, not just for its clean-up abilities, but also for its recycling potential.

"At the moment, it still is not a widely accepted technology, but that's likely to change because the cost factor is so favourable," says Prof Goldsbrough. "And when you take into account the recycling potential, the possibilities are staggering."

هكذا من الأصل

OPENINGS

MARTIGNY
The Fondation Pierre Gianadda, one of Switzerland's leading private galleries, marks its 20th anniversary with a Gauguin retrospective. The exhibition opens on Wednesday.

GARSINGTON
Leonard Ingrams, Garsington Opera's founder, will be hoping for minimal confrontation with neighbours in this otherwise peaceful Oxfordshire village tonight. This year's operas are Rossini's comedy *La pietra del paragone*, Mozart's rarely-staged *Lucio Silla* and *Falstaff*, Garsington's first Verdi.

GLYNDEBOURNE
The main source of interest at Glyndebourne this summer is German counter-tenor Andreas Scholl's stage debut on Saturday, singing Bertarido in a new production of Handel's *Rodelinda*. William Christie (above) conducts a staging by Jean-Marie Villégier.

BERLIN
The final new production of the season at the Deutsche Oper is Massenet's *Manon*. Cyril Diederich conducts a staging by Cesare Lievi. The first night is Wednesday.

A new museum housing Berlin's famous Gemäldegalerie collection opens on Friday at the Kulturforum in the Tiergarten district. The museum, which took six years to build, will reunite paintings long divided between the eastern and western parts of the city.

STRASBOURG
On Friday, the Opéra du Rhin inaugurates a Britten cycle with *A Midsummer Night's Dream*. Robert Carsen's staging, previously seen in Aix and London, will be conducted by Julia Jones, and the cast includes Michael Chance and Desmond Byrne.

ALDEBURGH
The same opera is treated to a new production at Aldeburgh where it was premiered in 1960. Wednesday's performance, the first of four, marks the opening of this year's Aldeburgh festival. US composer Peter Lieberson features strongly in this year's concert programmes, and a new opera by Deirdre Gribbin and Sharman Macdonald receives its premiere.

LONDON
Caravaggio's *"The Flagellation of Christ"* (*right*) has never previously been seen in the UK. On Thursday it will be the centrepiece of a small exhibition at the National Gallery.

Tonight, at the Lyceum Theatre, *Hey Mr Producer!* presents a royal gala celebration of the world of Cameron Mackintosh.

Three other plays open tonight: at the Olivier Theatre, Paul Allen's adaptation of Mark Herman's 1994 *Brassed Off*, directed by Deborah Paige; at the Royal Court Theatre Upstairs, *Gas Station Angel*, written and directed by Ed Thomas; and at the Young Vic, Edward Kemp's adaptation of William Faulkner's *As I Lay Dying*.

NEW YORK
To mark the centenary of the birth of Peggy Guggenheim (*right*), the Guggenheim Museum has organised an exhibition of paintings and sculptures from her collection, one of the most impressive holdings of 20th century art. It opens on Friday and runs until early September.

WASHINGTON
"Manet, Monet and the Gare Saint-Lazare", an exhibition of Impressionist paintings shown earlier this year in Paris, opens at the National Gallery of Art on Sunday.

PARIS
The Opera Ballet begins a run of performances of *Giselle* at the Palais Garnier on Thursday. Many casts, many fine dancers, much to enjoy.

Still a talent to surprise

Jackie Wullschlager admires a tantalising exhibition on the life and work of Jean Cocteau

Diaghilev's famous challenge to Jean Cocteau in 1912 – "Etonne-moi, Jean" – provoked a response of polymathic brilliance: in poems, novels, drawings, films. For half a century, Cocteau stood at the heart of French modernism, "his long hands, rebellious hair and tapering nose an almost daily fact in the press", according to his editor Ned Rorem. He cultivated and sponsored the leading figures of his day – from Proust and Picasso to Poulenc and Edith Piaf – and was rewarded by appearing in their works: he is Proust's Saint-Loup and Gide's Comte de Passavant.

He was said to follow Oscar Wilde as Europe's most dazzling wit and de Quincey as its most notorious opium addict. Yet who can name one of his books? What was his true artistic achievement?

'I liked to watch the faces that passed, those boxes full of a universe.' This exhibition is like that – boxes full of a poet's world

In an attempt to consolidate Cocteau's reputation, the Jean Cocteau Museum is to open in 2000 at his home at Milly-le-Fôret. It will display many works from all disciplines never seen before to demonstrate that his affectation of dilettantism hid hard work and dedicated artistry. A taster from the collection, *Jean Cocteau: Les Metamorphoses du Poete*, has just opened at Le Louvre des Antiquaires, and offers a tantalising insight into an extraordinary life.

Many impressions swamp the senses the moment you enter these elegant galleries. The rooms echo to the music from *Parade*, the 1917 Satie-Picasso-Cocteau ballet; they are illuminated at the centre by a blaze of red candlelight from the set of *La Belle et la Bête*, and in one corner by the winking silver mirrors from Cocteau's first film, *Sang d'un Poete*.

It is at once apperent that childhood is everywhere. Cocteau quotations are scrawled on mini-blackboards beneath his drawings. A giant blackboard, crayons and nursery horse join a portrait of his mother and a 19th-century negro automaton in the recreation of his study. Creatures from fairy tale and fantasy, horse-men, fauns, harlequins, fill his pictures and films. His scenography recalls the child's eye-view, peeping through the forbidden keyhole.

As powerful is the image of the fleeting moment. Sketches are executed on the back of a menu, pen never lifted from paper. Swift line-drawings capture a theatrical gesture – Cocteau throwing violets at singers on a stage. In photographs, crowds shuffle along at Montparnasse, where Cocteau stands with Picasso and Modigliani and remarks: "I liked to watch the faces that passed, those boxes full of a universe." This exhibition is like that – boxes full of the poet's world which taken together give us the themes that unified his art.

"All I did," Cocteau wrote in the 1950s, "was to turn my lamp this way and that, to illuminate the various facets of the themes that obsess me: the loneliness of individuals, waking dreams and childhood, that dreadful state of childhood from which I shall never escape." Born into an affluent family in 1889, he contracted what he called "the red and gold illness" of stage fever as a child, watching his parents leave for the theatre.

By 1900, a year after his father committed suicide, he was drawing caricatures of theatre and music hall life, all lorgnettes and outsize hats, which he signed "Japh"; never exhibited before, they point the way to the bold, simple lines, the concentration on a single trait, of his later graphic work.

From 1914, he leaned towards Cubism, revelled in avant-garde Paris and took inspiration from modern subjects such as aeroplanes – one of his best poems, "Le Cap de Bonne Esperance" (1919), was dedicated to the aviator Roland Garros, and his vividly precise yet other-worldly portrait of Garros in flight is shown here. Other evocations of this period include the almost-unknown drawings from *Thomas L'Imposteur*, Cocteau's 1923 hymn to eternal youth, caricatures of singers such as Joesphine Baker, and sketches and photographs from the cubist ballet *Parade*.

Restlessness, speed, art-on-the-move, radically desperate to take in every aspect of new popular culture, characterises these rooms. Into *Parade* Cocteau introduced its embodiment: "a little American girl" who "quivers like movies... dances a rag-time... buys a Kodak". Beneath a drawing of Picasso here, Cocteau has scrawled "Picasso taught me to run faster than beauty".

Drawn with restless speed: caricature of Josephine Baker by Jean Cocteau. A museum is to open in his home town in 2000

Among the most tender drawings is "Raymond Radiguet Asleep" from 1922; a year later, Radiguet, fledgling writer and Cocteau's inseparable companion, was dead at 20 from typhoid and Cocteau became a rootless wanderer addicted to opium, experimenting with a range of art forms.

A reworking of myths is one of the constants; the scenography for his great film, *La Belle et la Bête*, with human hands brandishing candles coming out of the castle walls, the Beast appearing slowly in a magic mirror behind a table laid in gold and red glitz for Beauty's supper, is recreated in a central tableau here to spell-binding effect.

Cocteau slipped love poems under the door of Jean Marais, the dreamily seductive Beast, every night, and it is possible that Cocteau saw in the unlikely union of Beauty and Beast something of his own tortured relations with men. In the glimmer of red lights is a small display of his erotic drawings, men "laced together like initials" or resembling a "many-limbed Hindu idol", many of them illustrations to Jean Genet's *Querelle de Brest*.

Certainly the other mythical figure that haunted Cocteau, Orpheus, the artist poised with his lyre between the visible and invisible world, was perceived as a sort of alter-ego. His different interpretations of it are gathered together – from the 1926 play to his 1949 film *Orphée*, a dream-like modern allegory in which Jean Marais as a poet encounters the Princess of Death, to a late, fragile drawing of a man-beast, "Le testament d'Orphée", from 1959, and depictions of elements of the story on the ceramic bowls and vases he made at the end of his life.

These are a revelation. At 70, Cocteau became mesmerised by pottery when he visited an atelier in Villefranche-sur-Mer, and, with his strong precise lines and sense of colour, he quickly produced witty masterpieces – faun-jugs with horns attached, two-faced, divided-self vases. It is an oddly solid conclusion to an oeuvre so concerned with the world of dreams and the unconscious, but "pottery has saved my life", Cocteau wrote. "It has led me to avoid using ink, which has become too dangerous, because everything one writes is systematically deformed by those who read it..."

At Le Louvre des Antiquaires, 2, place du Palais-Royal, Paris, tel 33 1 42 97 2700, until October 4.

Shaw's wings clipped by the Almeida style

THEATRE
ALASTAIR MACAULAY
The Doctor's Dilemma
The Almeida, London N1

The Almeida Theatre is more than the sum of its parts. The relationship of stage to auditorium is so satisfying to the eye and ear, so unique, and so actor-friendly, that one readily endures the theatre's cramped seating, and house lighting so dim that it is difficult to read the programme.

But if I pause while praising the Almeida, it is when I contemplate its emphasis on style. In Shaw's *The Doctor's Dilemma* the level of presentation is very high. Compare it with Peter Hall's staging of *Major Barbara* at the Piccadilly Theatre, and you see that, whereas Hall carries several inadequate actors, the Almeida has none. The Almeida designs and lighting are also superior: unobtrusive, complementary.

And yet the play only intermittently takes wing. There are often moments towards the end of a Bernard Shaw play when I long for the characters to shut up; or that I were not encountering them in something that is so obviously a play. Those moments, however, start in the first act. This is not all Shaw's fault. As directed by Michael Grandage, Act One becomes bogged down by character acting. Tony Britton as Sir Ralph Bloomfield Bonnington, in particular, enjoys his own display of fruitily Gielgudian vocal effects at the expense of Shaw's rhythm, and Martin Jarvis's way of emphasising his own cleverness in characterisation soon becomes a form of condescension to the character he is playing (Cutler Walpole). Style, in short, gets in the way of the play.

However, in the role of Sir Colenso Ridgeon, Ian McDiarmid is at his very best. He plays the central figure of a hybrid group of doctors, in whose various views on medical method the play's chief satirical force lies. But Sir Colenso himself is in no way satirised. His dilemma is double. Given the opportunity to save just one poor patient from death by tuberculosis, should he choose Dr Blenkinsop, the honest, undistinguished GP, or Louis Dubedat, the scoundrelly artist in whom true creative genius shines? And should he help Dubedat to die in order then to marry his wife Jennifer?

Shaw's plotting is a little creaky, but McDiarmid takes Sir Colenso so seriously, making him a figure of quiet gravity and private trouble, that we do, too. He plays opposite Victoria Hamilton's Jennifer. This young actress would be among the brightest talents in London theatre if only someone could remove her arms. Her Jennifer has a marvellous nervous intensity and febrile charm. Her pacing of dialogue is varied, witty, emotional, poised; her very breathing is expressive. But those unrelaxed hands and arms reduce her entire performance, as in every stage role she has given us. Her gestures are all the same, and terrible: stiff, with perpendicular thumbs and elbows.

Ian McDiarmid in the central role of Sir Colenso Ridgeon is at his very best

Patsy Byrne, as Sir Colenso's ripe servant Emmy, ideally catches Shaw's comic style and brings tension and colour to her every brief scene. Young James Callis catches the naturalness of Dubedat's duplicitous behaviour and the febrile charm of his Bohemian tubercular inspiration. Shaw needs help of this calibre. He often lets the nuts and bolts of this play show too obviously, and often he lets characters dwindle into mere mouthpieces. But sometimes here he is also at his best, and resembles Molière. He mischievously caricatures the medical profession, and then slices through the caricature to eke out a near-tragic dilemma.

Until June 27, then touring England. Sponsored by Barclays Stage Partners.

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Siegfried: by Wagner. New production conducted by Hartmut Haenchen in a staging by Pierre Audi; Jun 9, 13

BERLIN

CONCERTS
Konzerthaus
Tel: 49-30-203090
● Berlin Symphony Orchestra: conducted by Michael Schonwandt in Messiaen's "Turangalila" Symphony; Jun 11, 12, 13
● Deutsches Symphonie-Orchester Berlin: conducted by Vladimir Ashkenazy in works by Mozart; Jun 8
● International Chamber Orchestra: conducted by Nikolaus Harnoncourt in works by Mozart and Handel. With Concentus Musicus and soprano Sylvia McNair; Jun 9

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Lorin Maazel in works by Strauss and Wagner; Jun 9, 10, 11

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Manon: by Massenet. New production conducted by Jiří Kout in a staging by Cesare Lieva. With sets by Margherita Palli and costumes by Luigi Perego; Jun 11, 13

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Don Giovanni: by Mozart. New production conducted by Daniele Gatti in a staging by Gianfranco de Bosio; Jun 9, 11

BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
www.kah-bonn.de
Great Collections: the latest in this series of exhibitions is devoted to the Musée du Petit Palais in Paris. Concentrating on the museum's holdings of 19th century French art, the show includes works by Ingres, Delacroix and the Impressionists; to Sep 27

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiofiorentino.com
Wozzeck: by Berg. New production by William Friedkin, conducted by Zubin Mehta; Teatro Comunale; Jun 8

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera
Tel: 44-1273-815 000
Cosi Fan Tutte: by Mozart. New production by Graham Vick, conducted by Andrew Davis. Cast includes Alan Opie and Barbara Frittoli. With the London Philharmonic Orchestra; Jun 9, 12

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
● Die Walküre: revival of last year's collaboration between Leif Segerstam and Götz Friedrich, with designs by Gottfriend Pilz; Jun 11
● Siegfried: by Wagner. Conductor Leif Segerstam, director Götz Friedrich and designer Gottfried Pilz continue their collaboration on the Ring with this new production. The title role is sung by Stig Andersen; Jun 8

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Bernard Haitink in works by Mozart and Strauss; Jun 11

Wigmore Hall
Tel: 44-171-935 2141
● Aaron Rosand: recital by the violinist of works by Beethoven, Bach and Brahms, accompanied by Hugh Sung; Jun 10, 13
● Catherine Malfitano: recital by the soprano of works by Bolcom, Poulenc and Gershwin. Accompanied by Robert Tweeten; Jun 8
● Nash Ensemble: Michael Berkeley 50th Birthday Concert, conducted by Martyn Brabbins, with *mezzo* soprano Jean Rigby. Programme includes works by Berkeley, Brahms and Mozart; Jun 9

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● Carmen: David Ritch and John La Bouchardière direct a revival of Jonathan Miller's production, conducted by Noel Davies (Roy Laughlin on Jun 26 and Jul 1). The title role is sung by Sally Burgess; Jun 11, 13
● Manon: by Massenet. New production by David McVicar, designed by Tanya McCallin. Rosa Mannion sings the title role and the conductor is Paul Daniel (Michael Lloyd on Jun 12); Jun 10, 12

MANCHESTER

OPERA
Palace Theatre
Tel: 44-161-242 2503
● Opera North: Joan of Arc, by Verdi. New production by Philip Prowse, conducted by Richard Farnes with a cast headed by Susannah Glanville and Arthur Davies; Jun 10
● Opera North: Eugene Onegin, by Tchaikovsky. New production by Dalia Ibelhauptaite, conducted by Steven Sloane. The cast is led by Alwyn Mellor and Peter Savidge; Jun 12

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Manon Lescaut: by Puccini. Production by Liliana Cavani conducted by Riccardo Muti; Jun 8, 10, 11

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Horst Stein in Pfitzner's "Von deutscher Seele". With soloists Doris Soffel, Luana DeVol, Thomas Moser and Alfred Muff; Jun 11, 13

NEW YORK

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Sir Edward Burne-Jones: first American exhibition devoted to the 19th-century British artist, comprising more than 200 works, including tapestries and jewellery as well as paintings; to Sep 6

OSAKA

EXHIBITION
The Museum of Art, Kintetsu
Tel: 81-6-624 1111
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame; to Jun 8

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
Orchestre de Paris: conducted by Louis Langrée in works by Schubert and Fauré. with soprano Ruth Ziesak, baritone Stephan Genz, and the Choir led by Arthur Oldham; Jun 8

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mahler, including Symphony No. 5. With *mezzo* soprano Frederica von Stade; Jun 12, 13

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Japan Philharmonic Symphony Orchestra: conducted by Neeme Järvi in works by Grieg and Beethoven; Jun 13
● New York Philharmonic; conducted by Kurt Masur in works by Copland and Tchaikovsky; Jun 8
● Yomiuri Nippon Symphony Orchestra: conducted by Jeffrey Tate in Haydn's Die Jahreszeiten; Jun 11

WASHINGTON

CONCERTS
Kennedy Center
Tel: 1-202-467 4600
National Symphony Orchestra: Caribbean Festival concert conducted by Leonard Slatkin. Programme of works by Copland, Sandoval and Bernstein; Concert Hall; Jun 11

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PERSONAL VIEW DOMINIQUE MOISI

The world moves on

The concepts of European sovereignty, identity and geographical space need rethinking in the context of globalisation

The age of globalisation has replaced the era of the cold war. But we still tend to act and think as if nothing had changed. Generals are not the only ones fighting previous battles. Others have been just as slow to adjust to these revolutionary times.

Nowhere more so than in the way Europeans tend to think about themselves and the future of the European Union. Concepts defined at the time of the cold war continue to obscure the present. The consequences of globalisation have been integrated far more (for obvious reasons) by economic actors than by their political and social equivalents.

The three goals the EU has set for itself – namely economic and monetary union, institutional reform and enlargement – hide three fundamental challenges. All three are linked, one way or another, to the phenomenon of globalisation: they are the challenges of sovereignty, identity and what we might call "geographical space". Europe has to redefine these three concepts.

In a global, interdependent world, what does national sovereignty mean? Can Europe dream of becoming a new "power" in classical terms when the very notion of power has been transformed?

European governments are adjusting to the fact that they are no longer fully in control of their monetary policy. One of the big problems facing Europe is that its various member countries are preparing, either with enthusiasm or with resignation, to share what they no longer control: their currency. Germany, which considers itself the most "sovereign" in monetary matters, is the most reluctant to abandon its national currency.

Even in terms of security, the notion of sovereignty does not fully correspond to the reality of a Europe whose main guarantor is the US (through Nato). In Kosovo today, as in Bosnia yesterday, Europeans are waiting for US initiatives. What is the meaning of sovereignty when it is not accompanied by independent responsibility?

Destruction in Bosnia: Europe failed to act

One can say with more certainty that Europe will have a common currency in 2002 than that it will pursue a common Middle-Eastern policy

Beyond the challenge of sovereignty lies the question of identity. Europe has become a complex, hybrid construction. It is federalist when it comes to money; but still nationalist, or at best intergovernmental, as far as foreign policy and security are concerned. One can say with more certainty that Europe will have a common currency in 2002 than that it will pursue a common Middle-Eastern policy.

If it is federal, while remaining national, Europe will also become more regionally oriented as powers and responsibilities are devolved to the regions. Such an inventive, complex construction – a source of studies for future generations of constitutionalists and legal experts – will have one important consequence for the citizens of Europe. Like the Union they live in, they too will posses multiple identities. In the Europe of tomorrow, one will be, say, Scottish, British and European, or Catalan, Spanish and European.

The world of sport is an indication of what is to come. Supporters root for their local and then national team. But they are also beginning to support their continent. The football World Cup, which opens this week in France, can be seen as a contest between the continent of Latin America and that of Europe.

To acknowledge these multiple identities in a global age should be a source of strength, creativity and diversity for Europeans.

To negate such an evolution in the name of preserving a monolithic identity is to fight a rearguard battle, which is understandable emotionally but hard to condone. Thus one cannot support those in French political and intellectual circles who defend the sanctity of the Republic against a federalist Europe.

The third challenge confronting Europe is that of geographical space. Like a rapidly growing child, Europe does not know where its body ends. That explains much of its clumsiness. Yet a certain geographical ambiguity is necessary.

It is undeniable that Russia is historically and culturally part of the European space. It has vocation to participate one day, but in ways that remain to be invented. Such is also the case with Turkey.

Meanwhile, Europe will be forced to redefine the meanings of sovereignty and identity in the absence of a clear geographic definition of itself.

The Union will continue to move forward with monetary union believing, rightly, that there is light, not at the end of the tunnel, but in the process itself.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. *He writes here in a personal capacity.*

LETTERS TO THE EDITOR

EU withholding tax would be a useless piece of bureaucracy

From Mr John Battersby.

Sir, The European Commission is proposing a 20 per cent withholding tax on bank interest. It is not a measure the UK government should support. The UK already, in most cases, imposes a withholding tax of 20 per cent on such interest unless the recipient is able to certify that he or she is not ordinarily resident for tax purposes in the UK. If the proposal were to be adopted and the UK were required to deduct tax, this would be a useless piece of bureaucracy.

The UK has tax treaties with all the other member states of the EU that would require it to refund the tax withheld from residents of those other states, except for residents of Belgium, Italy, Portugal and Spain – who would receive different repayments of up to half of the tax withheld. Thus, from the UK perspective, the proposal gives added cost but no additional defence to counter evasion and could lead to residents of those countries moving their funds outside the UK to avoid engaging in this unnecessary paper chase.

The Commission's proposals no doubt reflect wider anxieties about what it sees as undesirable tax evasion. It may be that the remedy lies in re-visiting the domestic legislation and tax collecting structures of member states affected rather than in seeking to impose requirements on other states. In particular, the special position of UK offshore islands is not something the UK government should be prepared to try to overturn without the strongest of reasons, even if it is legally and constitutionally able to do so.

John Battersby,
partner,
KPMG Tax Advisers,
1 Puddle Dock,
London EC4V 3PD, UK

From Mr Jeremy Wagener.

Sir, Your readers have already been made aware (Letters, May 22) of the risks to London's position as an international finance centre caused by the proposed EU directive that seeks to impose a withholding tax on interest due to European bondholders other than institutions.

My association's concern is with the corporate bond issuer who could face higher capital costs, first because of the need to increase the return offered to compensate for the withholding tax just at the time when European bond markets should be expanding to offer corporates a cheaper and readier source of funds, and, second, because of lower demand from investors who may migrate to other markets, for example the US.

We urge the authorities in the UK and Brussels to have second thoughts about this most damaging proposal.

Jeremy Wagener,
director general,
The Association of Corporate Treasurers,
Ocean House,
10-12 Little Trinity Lane,
London EC4V 2AA, UK

Wrong role for Nato

From Mr Yugo Kovach.

Sir, Your article, "Serbs step up crackdown in Kosovo" (June 4), gave me hope that the flow of weapons to the Kosovo Liberation Army would be stemmed, thus enabling negotiations to continue. But you went on to explain that the purpose of any Nato presence would be to deter Yugoslav forces from pursuing the KLA into Albania. To do nothing about the flow of weapons increases the likelihood that the violence will escalate and the talks grind to a halt. Surely Nato cannot want this outcome?

The ultimate irony is that the Krajina and Bosnian Serbs were not allowed to remain part of Yugoslavia because of the inviolability of Tito's internal administrative lines. Yet your accompanying editorial ("Kosovo crisis") tacitly favours the eventual establishment of a Greater Albania. So much for the long-established international frontier between Serbia and Albania. You also seem keen for Nato to take on the greater task of intervention in Kosovo itself rather than the lesser one of truly sealing Albania's border with the Kosovo province. Your policy prescriptions are neither ethical nor principled.

Yugo Kovach,
38 Lebanon Park,
Twickenham,
Middlesex TW1 3DG, UK

Time to remind pilots of customer power

From Dr Anne-Carole Chamier.

Sir, The striking Air France pilots should be reminded of customer power. The only way we can attend a family wedding in France on June 13 is by flying Air France at a price for an economy fare that would take us to Cape Town and back on another airline. If the pilots' unnecessary strike prevents us from attending the happy event, I shall devote my energies to organising a year-long boycott of Air France with the aim of grounding most of the pilots permanently. I shall not be short of support.

Anne-Carole Chamier,
Achandunie House,
Ardross, By Alness,
Ross and Cromarty,
Scotland IV17 0YB, UK

Tests showed polystyrene containers are free of toxic substances

From Mr Andrew Barnetson.

Sir, In the article "Cold water poured on instant noodle fear" (May 19) by Bethan Hutton, you reported the alleged concerns over the use of polystyrene in noodle containers, which came from the Kyodo News in Japan.

It is unfortunate that the article raises unnecessary concerns about the use of polystyrene in noodle containers. Your journalist has failed to note that, within days, the Kyodo News had retracted its comments and issued a formal apology for its comments. This statement was made on May 2, some two weeks before the article you published.

In an apology to the author of the report, Dr Kawamura, the Kyodo News states that the suggestion that polystyrene containers contain toxic substances "was wrong and [the] lab tests have shown no such results".

They note that the error was due to a lack of scientific understanding by their translators.

Andrew Barnetson,
expanded polystyrene environmental affairs manager,
The British Plastics Federation,
6 Bath Place,
Rivington Street,
London EC2A 3JE, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

ECONOMICS NOTEBOOK ROBERT CHOTE

The curse of commodities

What is bad for producer nations has helped others by damping inflation

Asia's financial crisis is affecting the world economy in many ways. Its depressing impact on commodity prices is among the most visible. The slide seemed to have halted in the early months of this year, but recent weeks have seen prices falling again.

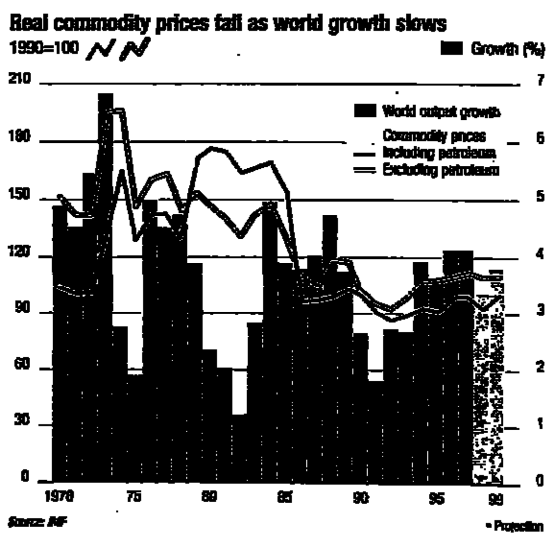
The obvious question is whether May's decline of 3 per cent or so is a blip, or whether we are in for a repeat of the 11 per cent drop recorded in the second half of last year. If that falling trend resumes, it will be good news for inflation in the industrialised economies, but bad news for revenues in the commodity-producing nations – many of which are relatively poor developing countries.

Since the mid-1970s, commodity prices have been on a declining trend. Non-fuel prices reached depression-level lows in 1992 and 1993, having halved since 1980. The recoveries that followed proved short lived. Metals and agricultural prices have dropped a quarter from their 1995 highs, while energy prices have fallen more than a third from the peak they reached at the end of 1996.

That conforms to a typical cyclical pattern, in which commodity prices rise for a couple of years and then decline over a longer period after producers respond by increasing supply. This response often involves technological and organisational innovation. For example, increased investment in, and privatisation of, mining in Latin America has contributed to lower metals prices.

The Asian crisis superimposed itself on this pattern from the middle of last year. In the countries affected most directly, it has meant lower demand, less construction, a scarcity of trade finance and rising import costs in national currency terms. Spillover and contagion have meant weaker demand in other countries too.

That demand effect has had a big impact on prices, in part because Asian countries have become important consumers of commodities during recent years. Asian developing countries accounted for two-thirds of the increase in world petroleum consumption between 1992 and 1996, raising their share of world consumption from 12 per cent to 15 per cent. Base metals, rubber, grains, fats and oils showed similar trends.



For some commodities – such as timber, rice, natural rubber and vegetable oils – the big falls in Asian currencies have had an impact on supply as well as demand. They have given countries an incentive to export more from their existing stockpiles and to increase output.

The weather has helped to depress commodity prices too. Conditions have been favourable to crop production, notwithstanding the El Niño weather pattern – a modest periodic warming of the tropical Pacific Ocean that reverberates globally. El Niño has only depressed production sufficiently to have a significant impact on world prices in a couple of cases: fishing off the west coast of South America and palm oil production in Asia.

The other important weather effect has been the relatively warm winter enjoyed in the northern hemisphere. That reduced demand for heating oil and contributed to weak petroleum and energy prices.

What of the future? Donald Mitchell, senior economist in the World Bank's commodities team, argues that the cyclical decline in commodity prices "should continue for several more years before low prices lead to reduced investment and trigger another cycle". He also believes that the Asian crisis should help keep prices low for some time.

In the short term, supply factors may subdue prices for a number of commodities. These include a big arabica coffee crop in Brazil, healthy sugar production in the southern hemisphere, and a promising grain harvest in the US.

Supplies of metals also look more than adequate, with weak buying in Asia more than offsetting stronger demand in Europe and North America. Russia is also seen as a potential distress seller of palladium, nickel, platinum, aluminium and gold if it has to devalue. The outlook for gold also depends on how much the European Central Bank wants in its reserves.

The oil price will depend in large part on the ability of producers to restrict output in the face of weak Asian demand and global oversupply. Saudi Arabia, Venezuela and Mexico agreed to cut exports last week, but it remains to be seen if this will stick and whether other producers will fall into line.

The cycle, the Asian crisis and short-term supply considerations all point to continued weakness in commodity prices. But another serious lurch downwards looks unlikely unless the Asian crisis takes a dramatic turn for the worse.

Continued commodity price weakness is good news for the industrial countries, although the beneficial impact on inflation will eventually wash out unless the downward trend persists.

There are good reasons to believe that commodity prices should be an effective leading indicator for industrial country inflation. Commodities are an important input into production. The fact that they are storable assets and traded on auction markets means their prices should respond rapidly to changing information about the prospects for inflation and economic activity.

But an International Monetary Fund study last year concluded: "We find no stable long-run relationship between commodity prices and UK retail prices, and hardly any evidence of causality from commodity prices to retail prices."* The economic impact of commodity price weakness thus seems far more important to producers than consumers.

At least 25 countries depend on petroleum for a fifth or more of their foreign exchange earnings. These include Russia, Nigeria, and several Latin American countries as well as the familiar Middle Eastern producers. Many of these countries depend on petroleum to finance much of their government spending, suggesting that low prices might threaten valuable public sector investment. Falling copper prices pose similar problems for Zambia, Chile and Mongolia, each of which derive at least a fifth of their foreign exchange earnings from the metal.

If the Asian crisis does flare up again, or if Russia stumbles, then a fresh slide in commodity prices might well prove to be a channel for contagion. If so, slightly lower industrial country inflation would hardly be adequate compensation.

**World Commodity Prices as a Forecasting Tool for Retail Prices: Evidence from the United Kingdom, by Alicia Garcia Herrero & John Thornton. IMF Working Paper 97/70, June 1997.*

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Monday June 8 1998

Africa's new recidivists

So much for Africa's new generation of leaders. The spectacle of Ethiopia and Eritrea, two of the continent's poorest states, going to war over a disputed stretch of border (despite US-led attempts to mediate) is distressing enough. But when the antagonists are a prime minister and a president held up as role models for an African renaissance, it could hardly be more damaging to a continent struggling to improve its battered image.

Hopes that Africa had embarked on a self-initiated campaign to tackle its corrupt regimes, and break out of an unhealthy relationship with the west established during the cold war, have proved unrealistic.

The performance of President Laurent Kabila in Congo (formerly Zaire) during his first year in power has alienated aid donors, the UN, and the African countries that helped put him in office.

Now comes the fighting between Ethiopia and Eritrea. Both Prime Minister Meles Zenawi of Ethiopia and President Issaias Afewerki of Eritrea are products of the school of hard knocks. Having shown their military mettle by leading their guerrilla armies to victory in the war against Mengistu Haile Mariam's regime, they proved adept at managing peace. A long-standing demand by Eritrea for independence was settled by referendum, and economic recovery became the priority for two governments with much in common: both are fiercely independent, determined not to repeat the mistakes of the rest of Africa, cautious in their use of aid, and insistent on a relationship of equals with the donors.

Both leaders have also been dismissive about the performance of the Organisation of African Unity (OAU), and scathing about the shortcomings of the UN.

Together they brought hope for a core of stability in a volatile region. That prospect is now imperilled. With Ethiopia and Eritrea distracted and weakened by their domestic conflict, several dangerous developments are possible.

Yemen, across the Red Sea from Eritrea, could revive claims to the Dahlak islands off Eritrea, where the prospect of oil has already strained relations. Tensions on the border with Somalia, whose territorial claims on Ethiopia have led to war in the past, are likely to rise. Egypt will watch developments with concern because the Nile is fed by rivers that rise in Ethiopia, and the military regime in Sudan will be delighted by the spectacle of two supporters of the southern-based rebel movement at each other's throats.

Meanwhile the OAU – whose headquarters are in the Ethiopian capital of Addis Ababa – is once again exposed as inconsequential, and it has been left to the US to play the part of mediator.

No doubt Ethiopia and Eritrea will come to accept Washington's proposal that their dispute should be submitted to international arbitration, and declare a ceasefire. But the damage has already been done. The world will have concluded that, far from being a new breed, Mr Issaias and Mr Meles are little better than the generation of African leaders who did so much harm: not so much reformists as political recidivists.

Taxing time

The European Union, UK objections aside, edged closer last week to agreement about a minimum tax on savings and investment. The proposal, which may inadvertently benefit the US, has worthy aims. But it is deeply flawed.

The EU is trying to improve the policing of the taxation of capital. Suppose a German resident puts his money into a bank account in Luxembourg, which does not tax interest payments to non-residents. In theory, he should be taxed on this interest as he receives it in Germany, and so should gain no advantage from moving his money. In practice, though, the interest payment rarely finds its way on to the tax return. The German resident receives gross interest and Luxembourg gains from the growth in its banking system, but the German government is out of pocket. This type of tax evasion happens on a large scale within the EU.

The European Commission has proposed that EU countries should be obliged to do one of two things. They could provide information on non-residents' interest income to their home countries to ensure they will be fully taxed at home. Some EU countries, with stringent banking secrecy laws, would be reluctant to do this. An alternative would be to impose a withholding tax of 20 per cent, so at least some tax would be paid on interest income.

This solution would work if the capital stayed neatly within the confines of the EU. But it cannot be so easily tied down. That was true even in 1963, when the US introduced a similar tax. The result then was capital flight, the creation of the eurodollar market, and the establishment of London and Switzerland as the premier global financial centres, at the expense of New York.

Now, with global capital more mobile, the movement of funds may be even swifter. The EU would undeniably lose out to low-tax countries such as Switzerland – and, ironically, the US.

The EU proposal is also unwelcome because it is the thin end of an interventionist wedge. Taxation has recently been moving up the EU agenda. The proposal is itself part of a package which includes plans to eliminate certain discriminatory tax regimes. More ominously, the Commission has hinted that it is in favour of changing general tax rates.

Until now, national governments have held fast to the principle of subsidiarity in tax matters. But the pressure being put on the UK to accept the withholding tax proposal suggests that tax harmonisation measures could be forced through as member states vie to prove they are "good Europeans". Loss of tax flexibility would be a grave mistake and could permanently damage the EU's competitiveness.

This does not mean that the problem of evasion of taxes on capital should be ignored. But the EU approach is misguided. Instead, the issue should be tackled at a global level. The OECD, which has already prepared a report on the subject, may be the appropriate forum.

Unilateral EU action will not stop tax evaders. But it could stifle the move towards greater efficiency and integration in Europe's capital markets, which a single currency will otherwise promote. The plan should be dropped.

New ref needed

Soccer, the world's most popular game, is governed by an organisation in urgent need of reform.

Anyone doubting this need look no further than the lead-up to today's Fifa Congress in Paris which, two days before the start of the World Cup, meets to elect its new president.

The two candidates are Joseph Blatter, the Swiss general secretary of Fifa, and Lennart Johansson, the Swedish president of European football's governing body, Uefa. The horse-trading and financial manoeuvres in support of the rivals have been anything but edifying.

The way that Fifa behaves owes much to the legacy of Joao Havelange, the outgoing president. Since 1974 he has presided over world football's commercial transformation. As revenues have grown, so has Fifa's power, and with it, that of Mr Havelange. He has ruled for many years with a combination of patronage and fear.

Mr Havelange is standing down at the age of 82. But he has been the *eminence grise* of the campaign lobbying for Mr Blatter, the candidate of continuity.

The best hope for ending the croneyism that has dominated Fifa for so long – and which has been mirrored in other world sports organisations – rests with Mr Johansson. Three years ago, he challenged Mr Havelange in an attempt to democratise the organisation.

Of the many promises made during the campaign, one by Mr Johansson best serves the interest of democracy and the game in general: a radical overhaul of Fifa's structure and personnel, and the establishment of a "fair and accountable" system of governance.

Indonesia in a hole

Habibie does not have a firm grip on economic policy or political power. If the country does not return to stability soon, say Peter Montagnon and Sander Thoenes, it could be set back years

First came a landmark deal to reschedule private sector debt, then the launch of an ambitious privatisation programme. Today, the International Monetary Fund resumes its review of Indonesia's economy with a view to reactivating the country's $43bn (£26bn) international rescue package.

Events have moved at such a cracking pace during the past few days that it might appear B.J. Habibie, Indonesia's new president, was consolidating his grip on policy. It might seem also that he had strengthened his hold on the presidency, thrust upon him last month after the abrupt departure of President Suharto.

Neither is true. Few Indonesians believe such frenetic activity will do much to resolve their country's fundamental problems. Nothwithstanding a few radical gestures, such as the freeing of political prisoners and recognition of hitherto illegal trade unions, Mr Habibie's administration is viewed as weak and transitional. The economy remains in virtual free fall, and there can be no revival of investment until political stability returns.

The failure of the rupiah to rally on last week's $80bn debt rescheduling underlines this concern. "The rupiah should strengthen," says Mohammad Sadli, a former energy minister. "If it does not happen, it is clear that the stumbling block is political confidence."

Mr Sadli has put his finger on the basic dilemma. There can be no economic recovery without a resolution of political uncertainties; yet the collapse in the economy is making political solutions harder. The failure to plan properly for the transition that everyone knew would inevitably follow the departure of former President Suharto risks producing a power vacuum; the danger is that economic and social development could be undermined for the best part of a decade.

The immediate problems are daunting. By the government's own calculations, the economy is expected to shrink by 10 per cent this year, though most private sector forecasts are closer to 20 per cent. Official unemployment is expected to rise to about 17 per cent, and inflation is already more than 50 per cent and heading higher. A large swathe of Indonesia's indebted corporate sector has been rendered bankrupt by the plunge in the currency. The local banking system has all but collapsed under a mountain of loan losses.

This litany of troubles would sorely tax even a well-established administration. Mr Habibie's chances of achieving economic normalisation are "close to zero," says Sjahrir of the Ecfin economic consultancy.

Among the tasks facing him – and the IMF team – is the need to determine a reasonable level for the budget deficit. It was an attempt to reduce spending by increasing fuel prices that sparked the final violent upheaval of Mr Suharto. "Physical infrastructure can be cut, not job and social safety net programmes," says Ginandjar Kartasasmita, co-ordinating minister for the economy.

Some economists believe significant savings could be achieved simply by ending the payments siphoned off by cronies of the former Suharto administration. But this looks a forlorn hope, especially considering the collapse of the tax base. Given the additional pressure on food supplies created by drought, the government may need to run a deficit of between 6 and 10 per cent of gross domestic product. That would be unprecedented for a country in the midst of an IMF programme, says Mari Pangestu, director of the Centre for Strategic and International Studies.

On top of that comes the cost of bailing out the banking system, which Ms Pangestu puts at about $20bn. So far Indonesia has made little progress in this regard. IBRA, its bank restructuring agency, has taken many banks under its wing but has done little to close bad institutions, merge others and create a viable banking system.

All this will require massive amounts of international aid. But the question facing the IMF, as well as bilateral donors who gather next month for their annual meeting on Indonesia, is how far to pump in money before the political transition is complete. While humanitarian considerations call for basic assistance, there is a risk that money will go down the drain if it is given to a government without a real mandate.

"The longer Habibie stays, the more painful it will be for the country," says Rizal Ramli, a critical economist. "It would be advisable for the IMF and the World Bank to withhold money. It would just go to the same corrupt regime."

But the circumstances in which Mr Habibie will give way to a successor able to command real popular support are impossible to predict. A diminutive former science minister with a passion for grandiose and eccentric development schemes, Mr Habibie was taken aback by the realisation of his own unpopularity when he was catapulted into office, according to diplomats.

Much of what he has done since has been simply to follow the advice of others. In the economic field he is dependent on Mr Ginandjar, just as he is on General Wiranto, head of the armed forces, for military support. Yet his desire to defer parliamentary elections until the end of next year suggests he hopes to consolidate his own position and develop a power base for the longer term.

Two factors militate strongly against this. First, the same public revulsion at the way the previous administration milked the economy is turning against Mr Habibie. His own wealth, as well as that of his family, is coming under public scrutiny. The other is that he simply cannot survive the continuing deterioration of the economy.

'The rupiah should strengthen. If it does not, it is clear the stumbling block is political confidence'

Mr Ginandjar, widely thought to harbour his own ambitions, is among those who disagree with Mr Habibie's election timetable. For the sake of economic confidence, he thinks elections should be held early next year.

At the weekend Emil Salim, a respected economics professor who is also sometimes touted as a possible presidential candidate, called for more speed. "Why should we have to wait until late next year if we could hold an election within six months?" he said. "The quicker the political problem is resolved, the quicker the economy recovers."

The precise timetable also depends on another set of imponderables. Some believe that, with universities due to close for their annual vacation, the student pressure that brought down Mr Suharto may abate, particularly since divisions are emerging in student ranks.

More important, the struggle for power only really began after Mr Suharto's resignation. Golkar, the government party, is in the process of disintegration. All the main actors need time to group and consolidate. While that process is under way it serves their interests to have a weak president.

It is noticeable that the two opposition politicians with the deepest popular support – Megawati Sukarnoputri, daughter of former President Sukarno, and Amien Rais, the Moslem intellectual – have been careful not to rock the boat. Diplomats say General Wiranto has been supportive of Mr Habibie partly because he wants a constitutional and orderly solution to the political dilemma. But he has also not yet completely consolidated his hold over the armed forces – in spite of the sidelining of General Prabowo Subianto, Mr Suharto's ambitious and temperamental son-in-law.

Another solution would be the formation of a formal caretaker government. Indonesia's constitution provides for the appointment of a triumvirate to run the country on a temporary basis. Such a group has been much discussed. It would include a military figure such as Gen Wiranto, former vice-president Try Sutrisno or former defence minister Edi Sudradjat. It would also contain a popular politician such as Ms Megawati, and a Moslem figure such as Abdurrahman Wahid, chairman of the Nahdlatul Ulama grouping, or an economic technocrat such as Mr Salim.

The failure of such a solution to materialise indicates the extent to which leading figures are pursuing their personal ambitions. In that vacuum, there is a risk of a new and violent convulsion as rivals clash and Indonesia's economic problems go unaddressed. "Decent people will become anarchists. They will have to, because they need to eat," says Mr Sjahrir.

It need not happen like this. For all the economic gloom, some analysts point to the resilience of the informal economy and the possibility of a sharp revival in agriculture now the drought is over. The rupiah devaluation has also spurred exports of some products such as pulp and paper, as well as of non-traditional ones such as marble. These factors could keep the wolf from the door until a more orderly political solution materialises.

But the foreign investors who are supposed to finance Indonesia's recovery realise it may be years before the former dynamism returns. The longer political uncertainty and economic distress continue, the greater the fear that Indonesia could compound its problems by settling on a government that is inward-looking, Islamic in orientation, and hostile to foreign capital.

"Our tragedy is that we have waited so long for this to happen," says Ms Pangestu of Mr Suharto's departure. "Now the opportunity is there before us, and we don't know what to do."

OBSERVER

Another step for Hannay?

There's a tussle underway to fill the two top jobs at the European Council of Ministers. With the Amsterdam treaty transforming the roles of general secretary and deputy general secretary, candidates are being actively lined up by member states.

Under the treaty, EU foreign policy will get a more public face, with the secretary general acting as the Union's "high representative" for foreign and security affairs; the deputy will chair regular business in Brussels.

One name at the forefront for either post is retired British diplomat Sir David Hannay. It seems he just can't get enough of the EU, even after stints in the Commission with Sir Christopher Soames and as UK permanent representative to Brussels in a long, high-profile diplomatic career. He polished it off as Britain's man at the United Nations during the Gulf war.

Despite hitting the compulsory retirement age of 60 a couple of years ago, Hannay has refused to be sidelined, and has recently been acting as the Union's trouble-shooter on Cyprus; he's also tried to do his bit as British prime minister Tony Blair's repairman for EU relations with Turkey. But in the face of Turkish Cypriot intransigence and Turkish sulking, he has achieved precious little, except maybe a possible return ticket to Brussels.

Britain has put Hannay in for the deputy's job, but made clear he's also available for the top post, were that to fall to a non-political figure. EU states are still divided on which way to go. France has pushed for the high representative to be an important political personality, while Germany and Austria want him to be a bureaucrat, even if an eminent one like Joachim Bitterlich, Chancellor Kohl's adviser, who's being touted by Bonn.

If Hannay gets the top job – who ends up with what should be decided at the Vienna summit in December – it will make it hard for Brian Crowe, as another Briton, to stay on as the Council's external affairs director general. But Hannay's got the bit between his teeth. Cut-throat business, the euro-jobs market.

Bad passing

Plenty of fancy footwork at world football governing body Fifa, where a new president will emerge today out of the smoke rising from the organisation's 51st congress in Paris. Not for the first time, efforts by that bastion of democratic accountability to present itself as one big happy footballing family have come under strain. As if the the divisive atmosphere surrounding the wheeler-dealing over a new president were not enough, one of the organisation's most enthusiastic members Vincent Onana, president of the Cameroon Football Federation – won't be going to Paris.

With the British Department of Trade and Industry closing down London-based Great Portland Entertainments after allegations it fuelled an international black market in World Cup tickets, Onana's future as his country's football boss appears at risk. He's confirmed that he had "given" over 3,000 tickets – destined for fanatical Cameroon fans – to Great Portland; the company isn't on any list of Fifa-authorised ticket companies and seems to have had problems in delivering the tickets to unhappy punters. Sounds like an own goal for Onana, who now faces a judicial investigation.

Pitch and yawn

The cost of the planned International Space Station may be rocketing into the stratosphere, but the real headache is deciding what to call the contraption that will take the place of Russia's Mir.

US space agency Nasa is good at spawning acronyms, but station managers and astronauts think the multi-billion dollar gizmo could be called something more inspiring than ISS. With 16 nations involved, though, it's not easy to come up with a globally-acceptable handle.

The Russians don't like Alpha, or anything that smacks of a beginning or a first – after all, they've had space stations since Salyut 1 in 1971. Christening it after an explorer would be a nationalistic minefield and besides the Japanese don't like naming inanimate objects after people.

ISS has already had a name or two. Ronald Reagan called it Freedom, as the then Soviet Union had already bagged the name Peace (Mir). But despite the cultural and political hurdles, the unofficial goal is to reach a consensus on a jargon-free name before orbital assembly begins later this year. Sounds like pie in the sky.

Playing footsy

The world's greatest football players may be expected to abstain from pleasures of the flesh in the run up to the Big Performance but not so Britain's finest ballet dancers. Indeed, the English National Ballet is urging its dancers to have sex before performances of Prokofiev's classic Romeo and Juliet.

The thinking is that a touch of passion off-stage can only enhance performance on-stage. Artistic director Derek Deane says he wants the ballet to have even more sexual overtones and dismisses footballer-style abstinence as a ridiculous suggestion. "Dancers are so tactile and physical. They hardly wear anything in the studios and get to touch every part of each other's bodies anyway," he says. Monica Perego, one of the six ballet stars lined up to play Juliet, says sex before a performance calms the nerves. The audience, however, are requested to refrain.

The Financial Times

100 years ago

Bombardment Of Santiago By The United States

New York, 7th June. The "Evening Journal" has received this account of yesterday's bombardment of Santiago de Cuba. "The first gun was fired from the 'Iowa' and was directed against Morro Castle, where Lieutenant Hobson and his men were reported to be imprisoned. The shot flew wide over the castle, but the second tore one of the batteries to flinders. There were ten ironclads in line formation passing backwards and forwards, and not a yard of coast escaped the shells from the fleet. Over fifteen hundred of these were fired.

An hour after the bombardment commenced, the American ships moored closer to the mouth of the harbour, where the cruiser "Reina Mercedes" was discovered attempting to place explosives about the hull of the "Merrimac" in order to blow her up and clear the channel. A shell from the "Oregon" landed squarely aloft the pilot-house of the "Reina Mercedes" and tore all her upper works to shreds, killing some officers and sailors. Admiral Cervera thereafter ordered the cruiser to be abandoned, and the survivors sought the shore.

FINANCIAL TIMES
MONDAY JUNE 8 1998

THE LEX COLUMN

Bulging Belgian

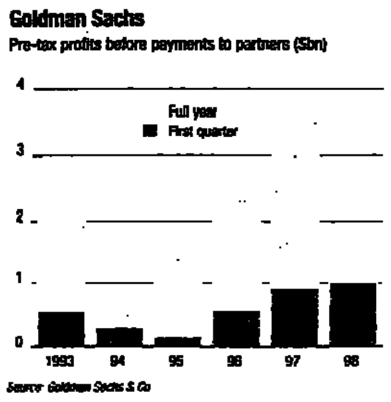
Will the end justify the means? Probably. But Générale de Banque's poison pill tactics, which allowed Fortis to trump ABN Amro in their bid battle, still leaves a bitter taste in the mouth – a full auction was not allowed to develop. Still, if there is consolation for Générale's minority shareholders, it is that a full price has anyway been secured.

For Fortis, meanwhile, the strategic benefits of bolstering its position in the Benelux region justified paying up. While there are clearly significant cost synergies to be realised, one concern is whether the domestic political environment will tolerate them. The other is the fact that Générale's management clearly favoured ABN Amro. Fortis will need to tread carefully.

For ABN Amro, its European aspirations have once more run aground on the shoals of nationalism. Its bid for French bank CIC was confounded by government preference for a French solution. Belgium, meanwhile, was equally keen to develop a Grande Banque Belge. Shareholder sovereignty clearly has some way to go yet.

Goldman Sachs

When Goldman Sachs partners meet this week they should not be too hasty to abandon a structure that has served them so well. As a partnership, Goldman has been hugely successful: evolving a tightly knit culture and attracting the talent that has allowed the firm to match or beat rivals with far greater human and financial resources.



Source: Goldman Sachs & Co

One oft-heard argument for going public is that it would furnish Goldman with an acquisition currency. But what should it buy? It is a market leader in its core M&A, underwriting and trading businesses, and catching up in asset management. Fears that competitors will squeeze it where it is weakest – in distribution – look overdone as long as its products remain superior. If Goldman can keep on expanding organically it is much more likely to add value.

That leaves the real reason why an initial public offering is back on the agenda: greed. When Goldman Sachs partners leave they receive book value for their stakes. But in this bull market, the current 190 general partners see a once-in-a-lifetime chance of receiving three to four times book value. There may, however, be a way of getting round this without going public or sacrificing the partnership structure – by creating an internal market for partnerships. This would allow older partners to sell out for, say, twice book value, while still leaving wealth in the firm for future generations. Making such a market work really would be a challenge worthy of a Goldman partner.

Japan's Big Bang

Fears that Japan's Big Bang will be a damp squib look increasingly misplaced. That, at least, is the message of the rapid build-up of foreign investment banking operations in Tokyo, culminating in the recent Travelers/Nikko deal. Foreign bankers see big business in Japan in coming years and, as their influence spreads, there will an increase in the focus on shareholder value.

Two other factors are helping to prise open Japan's previously closed financial system. One is the demographic time bomb which is affecting Japan even more severely than other industrialised nations. Investor anxiety about where the money to pay for future pensions will come from is leading to a search for higher returns.

The second factor is the parlous state of Japan's banks. Slowly but surely, they are being prodded into owning up to their bad debts, adopting proper credit assessment methods and attempting to improve profitability. As a result, Japanese companies will no longer be able to rely on easy financing from their traditionally friendly banks. Put together the need for the corporate sector to compete for funds and investors' hunt for returns, and you have the ingredients for radical change.

Sceptics say Japanese companies will reject this pressure. But Anglo-American practices such as share options and buybacks are no longer foreign. There has also been a dribble of cross-border M&A activity – not just Travelers/Nikko but also GE Capital/Toho and Daimler Benz/Nissan Diesel. This may be small beer, but it does look like the start of something big.

European Central Bank

How open should the new European Central Bank be? That is one of the most important questions its full council has to answer when it meets for the first time tomorrow. Wim Duisenberg, ECB president, has already given his answer: no minutes should be published for 16 years. That is not quite as outrageous as it seems. Certainly, the opposite extreme being suggested – publishing what each council member says – could be harmful. It might inhibit open debate, make it hard for individuals to change their minds or lead to their playing to the gallery in their home countries.

But that does not mean complete secrecy should be the name of the game either. As a new central bank and a largely unaccountable institution, the ECB needs to establish its credibility and legitimacy with financial markets. And its policies are likely to be more effective if people understand what it is trying to do and why.

Where, though, to strike the balance between excessive secrecy and excessive transparency? Probably the best approach would be for the ECB to publish a clear statement of its monetary stance after each council meeting. This could go beyond revealing whether there was going to be any immediate change in interest rates to indicating how monetary policy was expected to change in future months. Most importantly, the ECB should give a full statement of its reasons for taking a particular stance – including a summary of any discordant minority views within the council.

Swiss vote by 2-1 against ban on genetic engineering

Pharmaceutical companies welcome referendum result

By William Hall in Bern

Switzerland's role as Europe's leading centre of biomedical research was given a powerful boost yesterday when, in a referendum, Swiss voters heavily rejected a proposal to ban most types of genetic engineering.

"The scientists came down from their ivory towers to campaign," said Paul Herrling, head of research at Novartis Pharma which, with fellow Swiss pharmaceutical company Roche, led the "No" campaign.

Mr Herrling said the rejection by a margin of two to one would inhibit similar initiatives in the future. He added that the vote would remove uncertainty in the industry and encourage further research, especially among small biotech companies.

Switzerland is the only country in the world whose population has been given a chance to vote on such a contentious scientific debate.

Support for the proposal – to "protect life and the environment against genetic manipulation" – was strongest in the German-speaking cantons. It was weakest in the French-speaking parts of Switzerland. This reflects divisions in other German- and French-speaking areas of Europe on such issues.

In the French-speaking canton of Vaud, for example, the voting was five to one against the ban. In the Protestant, German-speaking canton of Appenzell a ban was favoured by 44 per cent.

Supporters of the ban argued the bulk of genetic research projects would have been unaffected by the proposition, which would have prohibited research using transgenic animals, forbidden the patenting of plants and animals and prevented the deliberate release of genetically modified organisms.

However, the Swiss pharmaceutical industry argued that a ban would have forced it to move most of its promising research projects out of Switzerland. It said a ban would have led to the cancellation of more than 500 research projects at Swiss universities, which have produced a significant number of Nobel prize-winning scientists.

Thomas Cueni, general secretary of Interpharma, the industry trade body, said he was "very relieved and satisfied" by the margin of the vote. Turnout was 40 per cent, in line with recent Swiss referendums. He said the turnout showed that ordinary people were capable of understanding and voting on complex issues.

According to supporters of the ban, the Swiss pharmaceutical industry spent SFr35m ($23.6m) on publicising its campaign, far more than that spent by opponents. These included women's and animal rights activists and Greenpeace, the environmental agency. Greenpeace yesterday said the fight would continue and that it would campaign for a referendum to ban the use of genetically modified foods.

Florianne Koechlin, a leading campaigner for the ban, said that it had taken more than 50 years for women to get the vote in Switzerland and she was confident that it would not take that long to win popular support for a ban on genetic engineering.

Train wheels checked in probe into German railway disaster

By Peter Norman in Bonn

Deutsche Bahn, the German federal railway, has ordered ultrasound tests on its first generation InterCity Express high speed trains as suspicion hardened at the weekend that a broken wheel caused the nation's worst post-war rail crash.

Johannes Ludewig, DB's chief executive, said the remaining 59 ICE trains of the class that crashed on Wednesday at Eschede, Lower Saxony, were being taken out of service for the wheel checks, which, in addition to visual and other safety tests, would take 12 hours per train.

Three trains were tested and back in service yesterday. DB, based in Frankfurt, said the tests would take 15 days to complete, causing continuing disruption of Germany's long-distance, high speed train services.

The official death toll was put at 98 last night. The Bonn transport ministry said the most likely cause of the crash was the fracturing of a steel tyre on a wheel of the carriage immediately behind the train's front power car, some kilometres before the disaster.

It is thought the tyre, which comprises the part of the wheel in contact with the rail and a flange to keep the train on the track, broke from a wheel on the carriage's third axle, embedded itself in the bogie and derailed the carriage as it crossed over points.

The train, travelling at 200kmh, passed under a concrete bridge with its carriages derailing. The fifth carriage slammed into the bridge, causing the following carriages and the rear power car to concertina into the bridge, which crashed on the wreckage.

Sixty-one of the dead were positively identified by midday yesterday. Rescue workers and engineers were still clearing the site.

Germany's media reflected widespread dismay that such a disaster could befall a hitherto safe high technology transport system that, for many, symbolised the nation's advanced industrial skills. Some newspapers began to question whether the ICE's design contributed to the scale of the tragedy.

Yesterday's Bild am Sonntag newspaper pointed out that a French high-speed TGV train derailed near Amiens at 294km/h in 1993 but stayed upright, causing only two injuries.

There was also surprise at DB's disclosure that ICE drivers have an on-board computer that can report problems with the train's toilets and air conditioning but not a broken wheel or derailment.

Deutsche Bahn said it could not comment on possible ICE design weaknesses before completing its investigations.

● One hundred and fifty passengers were transferred from a high-speed train travelling from Vienna to Hamburg on Saturday because of a mysterious noise. No damage was found to the wheel carriage and the engine is being examined.

CONTENTS


An ethnic Albanian fleeing Kosovo helps his son to water. The refugees walked more than 30 hours to reach Albania. Page 2. Picture: Reuters

FT.com
FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com

The Archive: online archive of back issues of the newspaper since July 1996.
http://www.archive.FT.com

Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm

FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222a.htm

Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm

Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

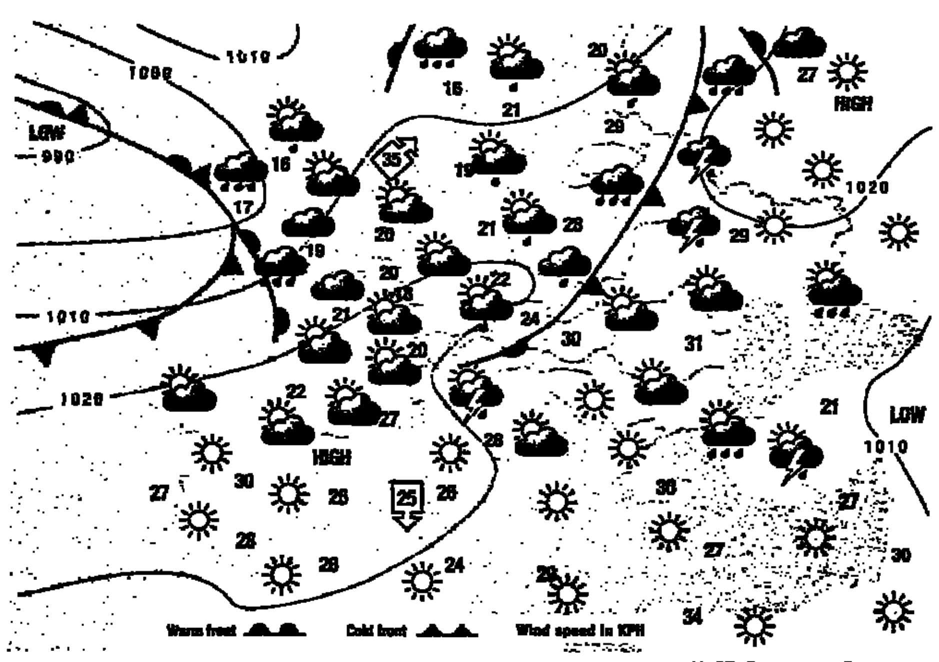
FT WEATHER GUIDE

Europe today

Scandinavia will have heavy showers or longer spells of rain. A cold front from Finland to the Baltic states and into the eastern Alps will bring rain and thunderstorms, followed by much cooler air. South-eastern Europe will be warm with sunshine. Most of central and western Europe will be fine and dry with sunny spells, but there will be rain across the far north-west. The Mediterranean, including the Iberian peninsula, will be dry, hot and mainly sunny.

Five-day forecast

Scandinavia and north-western Europe will remain unsettled, with spells of rain and sunshine and showers. Western Europe will have thunderstorms by midweek and then turn cooler. The central and eastern Mediterranean will stay hot and sunny, but the west will become thundery.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	33
Accra	Shower	29
Algiers	Sun	26
Amsterdam	Shower	20
Athens	Sun	30
Atlanta	Sun	26
B. Aires	Fair	18
B.ham	Rain	16
Bangkok	Shower	36
Barcelona	Fair	23
Beijing	Fair	29
Belfast	Rain	16
Belgrade	Fair	32
Berlin	Shower	21
Bermuda	Shower	25
Bogota	Thunder	20
Bombay	Shower	34
Brussels	Shower	20
Budapest	Thunder	30
C.hagen	Shower	19
Cairo	Sun	34
Caracas	Fair	32
Cardiff	Rain	17
Casablanca	Fair	25
Chicago	Shower	19
Cologne	Cloudy	21
Dakar	Fair	27
Dallas	Thunder	30
Delhi	Sun	33
Dubai	Sun	40
Dublin	Rain	17
Dubrovnik	Fair	28
Edinburgh	Shower	16
Faro	Sun	27
Frankfurt	Fair	22
Geneva	Fair	20
Gibraltar	Sun	25
Glasgow	Shower	18
Hamburg	Shower	13
Helsinki	Thunder	23
Hong Kong	Shower	30
Honolulu	Fair	30
Istanbul	Rain	23
Jakarta	Fair	33
Jersey	Shower	18
Johannesburg	Fair	14
Karachi	Sun	37
Kuwait	Sun	42
L. Angeles	Fair	20
Las Palmas	Fair	26
Lima	Fair	22
Lisbon	Sun	27
London	Rain	19
Lux.bourg	Fair	18
Lyon	Fair	21
Madeira	Fair	24
Madrid	Sun	30
Majorca	Fair	26
Malta	Sun	29
Manchester	Rain	17
Manila	Thunder	33
Melbourne	Fair	17
Mexico City	Fair	33
Miami	Thunder	31
Milan	Thunder	25
Montreal	Shower	15
Moscow	Sun	27
Munich	Rain	19
Nairobi	Thunder	26
Naples	Fair	28
Nassau	Thunder	32
New York	Shower	21
Nice	Sun	27
Nicosia	Sun	27
Oslo	Shower	16
Paris	Fair	21
Perth	Shower	19
Prague	Shower	22
Rangoon	Thunder	31
Reykjavik	Fair	11
Rio	Fair	28
Rome	Thunder	28
S. Frsco	Fair	20
Seoul	Fair	26
Singapore	Shower	33
Stockholm	Rain	21
Strasbourg	Fair	21
Sydney	Shower	18
Tangier	Sun	27
Tel Aviv	Sun	30
Tokyo	Shower	24
Toronto	Fair	18
Vancouver	Fair	20
Venice	Shower	25
Vienna	Thunder	24
Warsaw	Thunder	29
Washington	Fair	24
Wellington	Shower	15
Winnipeg	Fair	17
Zurich	Shower	20

COMPANIES & MARKETS

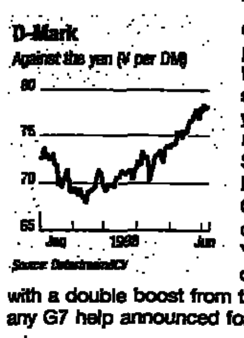
© THE FINANCIAL TIMES LIMITED 1998 MONDAY JUNE 8 1998 Week 24

INSIDE

Netscape focuses on business users

Netscape's new strategy in the "browser wars" with Microsoft focuses on exploiting the growth in business use of the internet. But there are concerns that the internet software pioneer will struggle to replace the losses in revenue left by its decision to stop charging for its Navigator software, which enables internet users to access and browse the world wide web. Page 21

G7 meeting unlikely to boost yen



The yen is expected to come under increased pressure this week. Hopes of a strong message in support of the yen from this week's meeting of the Group of Seven leading industrialised nations have faded. One analyst says the dollar could reach Y142.05. The D-Mark could rise above Y80 – with a double boost from the yen's weakness and any G7 help announced for Russia. Page 26

Investors back Greek privatisation

Foreign investors are delighted by Greece's bid to catch up with its southern European partners and join the single currency by 2001. Daily trading volume on the Athens stock exchange has quadrupled since the drachma joined Europe's exchange rate mechanism on March 12. Page 23

Fresh jitters in emerging markets

Just when emerging market bond issuers felt it safe to revisit the capital markets after the Asian financial crisis, a fresh bout of jitters has sent most back below decks. Investors have resumed flight-to-quality buying, and emerging market yields spreads have widened again. Page 22

MARKETS THIS WEEK

New York
The main event affecting the performance of US markets this week is likely to be Wednesday's Congressional testimony by Alan Greenspan, chairman of the Federal Reserve. Fed officials have indicated the Fed intends to hold back on interest rate increases. Page 25

London
The release of industrial production figures for April could provoke some controversy after last week's surprise 0.25 per cent interest rate increase from the Bank of England's monetary policy committee. Page 25

Frankfurt
The German stock market continues on its record-breaking path, with the next barrier for the Dax blue chip index standing at 5,800 points. Page 25

Tokyo
Last week Tokyo was depressed by profit-taking pressure and concerns about the weak economy. This week analysts believe the Nikkei will not only find it difficult to break through the ceiling of 15,550 but will test its lows amid mounting evidence that things are not getting better. Page 25

COMPANIES IN THIS ISSUE

MARKET STATISTICS

High-tech equity offering shrugs off downturn

By Edward Luce in London

STMicroelectronics the French-Italian semiconductor company – formerly known as SGS Thomson – this weekend shrugged off negative investor sentiment towards electronic stocks with a $1.37bn equity offering, the largest secondary offering so far by a technology company.

Lehman Brothers, joint lead manager with Deutsche Bank and Morgan Stanley, said the company had managed to persuade investors that it was shielded from the global downturn in the personal computer market.

The downturn, caused by the build-up of inventories and the collapse of demand in Asia following recent financial turmoil, has led to a 20 per cent average decline in the share price of technology companies over the past few weeks.

However, STMicroelectronics, which will invest some of the proceeds in the construction of a $300m new generation wafer facility in Crolles, south-east France, specialises in the manufacture of products that have been relatively unaffected by the downturn.

These include PC monitors, disk drives, digital television set-top boxes and digital cellphones. The worst oversupply has occurred in the market for D-Rams (PC memory) and PC motherboards (the main printed circuit board).

The offer reduced the combined stakes of the French and Italian governments to 56 per cent from 70 per cent.

The 19m share issue, which included a new listing in Milan in addition to the company's Paris and New York listings, comprised the sale of 16m shares held by the French and Italian governments and 3m new shares.

The company, also issued a $375m convertible bond which, combined with the new equity, raised a total of $600m for capital investment.

The company's share price has fallen by more than 15 per cent in the past three weeks on general worries about the health of the technology sector and concern about the dilution of the company's equity through the new offering. The issue was priced at $72.187 per share. The shares had risen marginally by Friday's close in New York.

Soros funds eye Lonrho

Tiny Rowland also declares interest

By Andrew Edgecliffe-Johnson

Two African investment groups linked to George Soros, the high-profile US investor, will tell the London Stock Exchange today that they are "assessing the investment merits" of Lonrho Africa and Lonrho.

Their statement is likely to heighten bid speculation surrounding the £120m ($196.8m) collection of sub-Saharan trading companies demerged from Lonrho a month ago. It will say, however: "We hold no shares in the company nor have we assembled a consortium to bid for or take a stake in Lonrho Africa."

The statement will be issued by Flemings, the investment bank, on behalf of two companies with connections to Mr Soros: Blakeney Management, the fund manager run by Miles Morland and Joe Demby, and African Lakes, a trading company in which Mr Soros's Quantum Emerging Growth fund has a 13 per cent stake. Mr Morland said yesterday that Blakeney constantly researched potential investments in Africa.

The speculation surrounding Lonrho Africa highlights Mr Soros's interest in the continent and the web of African investment groups in which he and his associates have taken stakes.

Plantation & General, the investment group headed by the one-time Soros fund manager Nick Roditi and Rupert Pennant-Rea, the former deputy governor of the Bank of England, is also rumoured to be interested in bidding for Lonrho Africa as part of a consortium.

The Zimbabwean-born Mr Roditi took a 43 per cent stake in Plantation & General last year. Mr Soros's brother, Paul, sits on the board of a fourth African investment group, African Plantations.

Lonrho Africa's assets are spread over 14 countries, and include motor distributors, luxury hotels, abattoirs and property.

It is understood that any offer would be below its 78p share price. At 78p, Lonrho Africa is valued at £122m – a steep discount to analysts' estimates of a £190m-£200m net asset value. Political disturbances and climatic upsets have taken their toll on the company's performance and interim results on Thursday are expected to show full-year operating profits down from £42.3m to £29.4m.

Mark Newman, chief executive of Lonrho Africa, would not comment on the speculation. But the company said: "We are not entirely surprised. We have a portfolio of prize assets and given the disparity between our share price and the value of those businesses we know a number of people have expressed an interest."

Tiny Rowland, who was ousted from the conglomerate in 1994 after 34 years at its helm, said yesterday that he would be interested in buying Lonrho Africa, but only at well below the current share price.

Mr Rowland said he had enough money to bid but the valuation of Lonrho's assets was unrealistic. He said of the possible rival bidders: "I would let them bid. If they got it at 75p, good luck to them – I know I'll be able to buy the lot back at 50p."

Prada takes 5% stake in rival Gucci

By Paul Betts in Milan

Prada, the Italian champion of minimalist fashion, has taken a 5 per cent stake in its rival Gucci, which built a fortune on its opulent style.

The move is being seen as a prelude to an eventual bid for control of the Italian brand – raising the possibility of a tie-up between two groups whose styles are extremely different.

Patrizio Bertelli, Prada chief executive and husband of fashion designer Miuccia Prada, said at the weekend that the acquisition of 5.05 per cent – which cost the Milan-based fashion house about $120m (£73.6m) – was a long-term financial investment. It was "coherent" with his company's business interests, offering Prada a window on the fast-changing luxury goods and fashion market.

Prada is now one of the largest single shareholders in Gucci, with other large shareholders understood to be institutions.

Its move comes at a time of growing interest in stock market listings among Italian fashion houses and increasing merger and acquisition activity. The biggest recent deal involved the acquisition of Valentino, the fashion house, by the Italian HDP holding company.

Domenico De Sole, Gucci chairman and chief executive, said he had learned of the acquisition from news agencies and described it as "unsolicited".

Gucci has been regarded as a potential takeover target in the consolidating fashion and luxury goods business since it floated about three years ago.

Mr De Sole sought last year to introduce a poison pill to protect the fashion house from a hostile raid. However, his proposal to introduce a limit of 20 per cent on the voting rights of any single shareholder was rejected by shareholders.

Gucci shares slid last year on fears that the Asian crisis would hurt the company's performance. After reaching a low of $29, the shares have since risen to close on Friday at $47.

Mr De Sole said last week that the company was trading successfully in spite of the Asian problems.

Gucci reported a 10.8 per cent rise in 1997 net revenues to $975.4m and a 4.3 per cent increase in net profits to $175.5m. In 1997 Prada reported revenues up 61 per cent to L1,172bn (£413m).

Double vision: Two models strut a Milan catwalk in outfits from Prada's winter collection, previewed earlier this year Picture AP

De Beers set to ease curbs on sales of diamonds

By Kenneth Gooding in London

De Beers nearly halved diamond sales to little more than $1.6bn in the first half of this year in an attempt to stabilise a market rocked by the Asian economic downturn, according to traders.

However, there are signs that the South African group, which accounts for more than 60 per cent of the world's rough, or uncut, diamond trade, is ready to ease restrictions on its deliveries

By holding back sales, De Beers's London-based Central Selling Organisation hoped traders would be able to cut stocks without reducing prices. The group, which is due to announce its sales figures later this month, has been hit by a substantial downturn in demand from Japan, the second biggest market for polished stones, and an oversupply of polished diamonds that emerged after the Asian economic crisis took hold in 1997.

Japan accounted for 25 per cent of retail diamond jewellery sales and the rest of Asia about 17 per cent. But as demand there has virtually dried up, dealers are concentrating on the US, the biggest market and the one where demand remains strong. They complain that profit margins are being squeezed because of intense competition and are being forced to give longer credit terms – often 120 days instead of 60 days.

The developing shortage of rough diamonds has been particularly felt in India, which specialises in cutting and polishing smaller, cheaper diamonds.

The biggest supplier of smaller diamonds, Argyle, the Australian company jointly owned by Rio Tinto and Ashton Mining, has also been holding back supplies. "The [market] situation is really fragile and we must treat it as such," said Peter Topen, manager, sales for Argyle in Antwerp. "We are behaving responsibly and not putting the volumes into the market that we could." Traders say the situation should ease a little because De Beers lifted June sales by about one-third from the May level to about $390m and nearly all the extra diamonds were "Indian goods".

PETER MARTIN
GLOBAL INVESTOR

War waged on the net

Something very big is happening among the companies that supply telecommunications services and equipment. A large chunk of the world's stock market capitalisation is likely to be affected.

For more than a century, telecommunications companies have operated by controlling capacity and providing guaranteed service quality. For much of this period, those objectives were furthered by formal monopoly. Even when that broke down, however, from the 1980s onwards, the new competitors usually thought along the same lines as the old.

Companies such as MCI in the US, or Mercury in the UK, entered the market, and discounting began. But it was a decorous sort of competition: broad pricing discipline was preserved. Equipment suppliers – companies such as Lucent, Alcatel, Nortel or Ericsson – worked along similar lines.

The internet changes all that. By providing a rival set of standards and a rival source of demand, it is transforming the business model on which the industry has been based. Data is set to overtake voice as the dominant source of traffic over the telecommunications networks, perhaps by the end of the year and certainly by the end of the decade. One estimate is that by 2004, the internet will account for 99 per cent of bandwidth use.

The shift of emphasis brings with it a shift of priorities: data users are prepared to trade off quality of service against price in a way that is not true for voice users. When capacity is strained, data simply takes longer to arrive.

The old step-by-step approach of controlled capacity additions no longer applies, at least in lightly regulated markets such as the US. Bandwidth gets added in huge chunks and prices are slashed to fill it. The new competitors do not have the phone companies' cautious public-service mentality. They do not worry about what will happen if demand briefly outstrips supply – quality will simply degrade until the next chunk of capacity comes onstream.

Traditional technical standards – set in a glacially slow process inside phone company bureaucracies and through international standards bodies – are losing their influence. The new standards are set by the internet. They allow fast-moving computer companies to compete on an equal footing with the old telecoms equipment makers.

There was a wake-up call last week, when multi-billion dollar deals involving telecoms equipment companies you had probably never heard of – Ciena, Tellabs and DSC – suddenly attracted a lot of attention. A high-priced study from Probe Research, a US consultancy, argues that a three-way battle among equipment vendors is under way, pitting traditional suppliers against well-established companies making the "servers" that supply data over the internet, and against newer companies (such as Cisco) making the "routers" which dictate where that data goes.

Each will be attempting to integrate the functions provided by its rivals, and to emerge as the dominant equipment supplier of the new era. In the process, a lot of money will be made and lost.

A similar battle is under way among service suppliers. Victor Schnee, co-author of the Probe study, who has a well-developed mistrust of the phone companies, argues that they will strive to protect themselves by merging. Deals such as the proposed merger of SBC and Ameritech are helping to create a "neo-Bell" system in the US that recreates the former AT&T monopoly, he says.

The telephone companies are simultaneously seeking to control access to the internet, by buying up the internet service providers that act as individual customers' gateways to the net.

Significantly, when WorldCom and MCI sought to overcome objections that their merger would give them excessive control of the internet, they agreed to divest part of their ownership of the internet's technical underpinnings – but retain their ISP relationship with millions of customers.

The next few years are likely to be turbulent. They will pit telephone companies used to regulation, service quality and controlled capacity additions against computer companies weaned on breakneck innovation and overnight obsolescence. Investors who have poured billions of dollars into privatised telephone companies and start-up high-tech stocks can look forward to a bumpy ride.

Mega Strategies: Winning the Computer-Telecom War. Probe Research, Cedar Knolls, New Jersey. www.proberesearch.com. $7,995.
peter.martin@ft.com

INSURANCE CONSOLIDATION OF INVESTMENT TRUSTS AND UNDERWRITING SYNDICATES PROVIDES SPUR FOR SHARE GROWTH

Lloyd's vehicles outperform stock market

By Christopher Adams, Insurance Correspondent

Restructuring among specialist investment trusts and insurance underwriting businesses at Lloyd's has sparked a wave of fresh investor enthusiasm for the stocks. The share prices of Lloyd's vehicles have surged on the heels of an unprecedented shake-out.

In the last four weeks, an index of 20 Lloyd's vehicles has performed spectacularly. It has outpaced the rest of the stock market by some 30 per cent since the start of this year. The upswing comes after a long period of investor disillusionment with the Lloyd's spread fund sector.

"Investors are starting to recognise the earnings potential of these vehicles, looking at them not as capital providers but as insurance companies," said Nicholas Johnson, analyst at Raphael Zorn Hemsley.

A string of mergers and acquisitions between underwriting agencies and the investment trusts, which back business written by Lloyd's, is creating a generation of nascent insurance companies.

The acquisition of Spreckley Villers Burnhope, one of the leading non-marine underwriting agents at Lloyd's, by Syndicate Capital Trust for £54m last month will create a group with combined market value of £140m. Other deals have included the merger between Kiln, which runs an underwriting agency at Lloyd's, and Kiln Capital, the quoted spread fund.

Hiscox, a large underwriting agency, acquired the spread fund Hiscox Select for £44m, while Finsbury Underwriting has merged with Wren Holdings. Aberdeen Lloyd's Investment Trust, a spread fund, is purchasing Hayward Brick Stuchbery, which is the holding company for Chaucer, another underwriting agency.

Many of the investment trusts supporting Lloyd's syndicates were set up soon after Lloyd's opened its doors to corporate capital in 1993. But their numbers are diminishing as they forge links with underwriting agents.

The restructuring has been spurred in part by increased competition in global insurance and the poor outlook for future returns at Lloyd's, which has warned that reported profits for the 1996 underwriting year would fall from £1bn in 1995 to under £600m.

As underwriting agents continue to buy in capacity from capital providers, aided by Lloyd's capacity auction system and recent reforms that will serve to speed up the process, remaining unaligned spread funds like Masthead, New London Capital, and Lomond will come under intense pressure to strike deals with underwriting agents. "There probably won't be any pure spread funds left by the end of the year," said one analyst.

Shipowners try to put futures on even keel

By Charles Batchelor, Transport Correspondent

Shipowners, brokers and futures traders will today launch an initiative to revive the flagging Biffex freight futures contract which is traded on the London International Financial Futures Exchange.

A newly created working party of the Biffex committee advisory group will meet for the first time to consider ways in which the contract could be modified to make it more attractive to shippers and traders.

They hope to put proposals for a new contract to Liffe by the end of this month and have it in operation by early next year. The contract is used to reserve cargo space on ships moving commodities such as coal, grains and ores.

Volumes in the Biffex market have fallen sharply in recent months following the collapse of the Baltic freight index on which the futures contract is based. The index measures the rates paid for dry cargo vessels on the 11 most important international trade routes.

The index fell nine points to a new 11-year low of 900 on Friday under the impact of continuing financial uncertainty in south-east Asia and the glut of new ships entering the market.

As the index has fallen, trading volumes of the futures contact have declined. Just over 10,000 lots were traded in the first five months of this year, a drop of 52 per cent on the same period in 1997.

"This is a drastic situation," said John Banaszkiewicz, a director of SSY Futures. "The industry is wanting a new product within the next couple of months."

The two main proposals which will be among the options to be considered are for the index to be restricted to panamax size vessels and for block trading in the futures contracts to be allowed.

Panamax vessels are ships of 55,000-75,000 deadweight tons which are small enough to pass through the Panama Canal. They account for 70 per cent of the index but larger vessels are also included.

The working party will also look at allowing block trades of 25, 50 and 100 contracts that would suit the requirements of the large trading houses.

McAlpine appoints Hume

By Jonathan Guthrie

Alfred McAlpine, the construction company, will today announce the appointment of Jeffrey Hume as its new finance director. Mr Hume was previously group finance director of Howden Group, the engineering concern, where he was closely involved in a restructuring of the business.

In his new post he is likely to assist in another reshuffle of assets. McAlpine is expected to sell underperforming US civil engineering and construction operations with net assets of £68m. These are Blythe Construction and Becker Minerals, both of which suffered profits falls last year.

The appointment of Mr Hume fills a vacancy created in April by the resignation of Gavin Morris, who left to take on the post of chief financial officer of Ionica, the radio telecommunications operator, which recently staged a recovery in profits.

Mr Hume left Howden Group in April 1997 when the company was bought for £381m by Charter, an engineering company. He offered his services to Oliver Whitehouse, managing director of McAlpine, when he learnt of Mr Morris's departure.

Mr Hume said he had followed McAlpine's activities for some time and that "the company is very well positioned following a very good strategic move." This was the purchase of Raine, a housebuilder, for £42.6m last June. The price was criticised by some analysts as too high, but the new subsidiary added £6.5m to McAlpine's pre-tax profits for 1997 of £20.8m.

Mr Hume said: "My background is in differentiating products and building market presence, and that is the direction in which McAlpine is going."

The finance professional, who is 45, trained as an accountant at Clark Whitehill. Before joining Howden Group in 1993 he worked as chief financial officer of the construction services division of BTR, the conglomerate.

ECsoft plans London SE as its secondary listing

By Paul Taylor

ECsoft Group, the London-based IT services company with main operations in the UK and Scandinavia, is planning a secondary listing on the London stock exchange involving the sale of 2.3m shares including 1.3m on behalf of the group.

The group, which was floated on the US-based Nasdaq in December 1996 and has a market capitalisation of around $270m (£164m), has expanded rapidly over the past 18 months both through organic growth and acquisitions.

The company has reported six quarters of steady revenue and earnings growth boosted by expanding operating margins. Turnover and operating profits have increased by 38 per cent and 71 per cent respectively over the last two years. The group reported operating profits of $6.7m ($4.1m) last year on turnover of $74.1m ($56.2m).

ECsoft was formed in July 1994 as a result of a management buy-out from its parent company led by Terje Laugerund, chief executive.

Since then the group has focused on the IT services sector and has increased its workforce from 190 to 776 at the end of the 1998 first quarter.

Just under 40 per cent of revenues come from the UK where the group has done a number of acquisitions.

Mr Laugerund said he believed a London quote will help broaden the group's European institutional investor base, improve liquidity and help fund further growth. Aside from raising new funds for the group, existing shareholders including Warburg Pincus, the Wall Street investment bank which backed the mbo, are expected to sell 975,000 shares.

Portmeirion Potts gloom as chief resigns

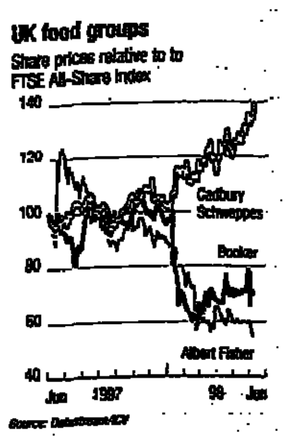
Portmeirion Potteries accompanied a gloomy trading statement with the news that its chief executive had resigned. Shares in the pottery company dropped over 10 per cent, falling 32½p to 242½p last Friday, writes Roger Taylor.

It said the results for the six months to June 30 would be "considerably below" last year's. The company made pre-tax profits of £2.7m on sales of £16.1m in the first half of 1997.

Mary-Lorraine Hughes, chief executive, resigned citing differences of opinion over policy. Kami Farhadi, operations director, will act as chief executive until a new appointment is made.

COMMENT

African adventure



That some of Rhodesia's finest old boys might be contemplating a bid for Lonrho Africa is only logical. The share price of 79p is a huge discount to net asset value of around 130p, reflecting political disturbances in key markets Zimbabwe and Kenya, and adverse weather. Poor interim results this week will only confirm the gloom. Add to that the fact that UK investors do not really understand the business, and it is no wonder the share is unloved. Certainly, there are some prize assets, but the conglomerate structure probably obscures full value. Shareholders, therefore, have every reason to encourage bid speculation, whether it results in a takeover or some form of break-up. But bids below the already depressed share price look highly opportunistic and should be treated as such.

UK food companies

Breaking up is supposed to be hard to do. Not so with UK food companies. The story of Dalgety, Hillsdown, Booker and Albert Fisher is familiar: old food conglomerates refocus at last. Dalgety, the furthest on, has restored some shareholder value; Fisher, after a couple of aborted deals, remains a tailender. These are the starkest examples, but hardly a company in the sector has refrained from pruning its portfolio over the past few years.

Why have they been under so much pressure? The simplest answer is that their powerful retail customers have passed on much of the pain of low inflation to fragmented suppliers. Most vulnerable have been those dealing in commodity products, such as poultry, or in minor brands lacking the marketing support of a Cadbury Schweppes. This lack of clout eats away at the business in other ways. Economies of scale are elusive, and quality managers are more difficult to attract and retain.

The obvious answer is consolidation. This has started in Ireland with the Avonmore Waterford dairy merger, and that segment is ripe for action in the UK. But while milk processing can be rationalised, it is not so easy for products dedicated to rival retailers. Nevertheless, the problems of clout and cost should be tractable. This is what Unigate suggested in its tilt at Hillsdown. The Bunsen burner was never lit under that experiment, but other deals are sure to be attempted.

Granada to take control of Littlewoods' catering

Granada Food Services is to take over running the restaurants and takeaways across the Littlewoods chain in a deal that will bring in sales worth £375m ($615m) over the next seven years.

Alastair Storey, managing director, said that the deal was one of the biggest in UK contract catering.

Granada Food Services, part of the Granada leisure and media group, reported sales of £680m in 1997, and is showing strong organic growth as well as making fill-in acquisitions.

Mr Storey said that GFS was now feeding nearly 2m customers a day. It will begin at Littlewoods in July.

Vivendi sale helps Frère group reshape

By Neil Buckley in Brussels

Vivendi, the French communications and services group, has sold its 24.4 per cent stake in Electrafina, the Belgian holding company controlled by Baron Albert Frère, to another Frère company for BFr43.5bn ($1.2bn). The sales simplifies the structure of both groups.

The French group, formerly Compagnie Générale des Eaux, sold its 9.2m shares at BFr4,500 each, realising a capital gain of FFr550m ($92.5m).

The stake was bought by Groupe Bruxelles Lambert, the holding company immediately above Electrafina in Mr Frère's "cascade" of holding companies, each with a stake in the one below it.

The sale took Groupe Bruxelles Lambert's stake in Electrafina from 51 per cent to 75 per cent – increasing speculation that the two groups would be merged.

The move had been widely expected after Jean-Marie Messier, Vivendi chairman, indicated he was likely to sell the Electrafina stake following Générale des Eaux's merger with France's Havas, forming Vivendi, in March.

Mr Messier said Vivendi could not remain an indirect shareholder in its main rival, French utility group Suez Lyonnaise des Eaux. Electrafina is the vehicle through which Mr Frère holds a 12 per cent stake in Suez Lyonnaise.

The sale is a further step in the process of unwinding the cross-shareholdings between Vivendi and Mr Frère's group. But Mr Messier said Vivendi would hold on to one of the last remaining links – its 20 per cent stake in Audiofina, the holding company below Electrafina in the Frère cascade.

Audiofina has 50 per cent of CLT-Ufa, Europe's biggest commercial broadcaster.

Mr Messier said the Audiofina stake, previously held by Havas, had a pre-emptive right on CLT-Ufa until 2005, giving it priority over Germany's Bertelsmann, which owns the rest of the Luxembourg based broadcaster.

"We consider that the development of the European audiovisual landscape is still in progress, and that this shareholding and pre-emptive right have a strategic value," he added.

For Vivendi, the Electrafina sale fits into Mr Messier's strategy of improving the group's focus, reducing debt, and disposing of non-strategic stakes – a process that has raised FFr75bn since 1996, including FFr23bn this year alone.

In recent months, Frère has sold stakes in Royale Belge, the Belgian insurer, to Axa-UAP and unwound cross-holdings with the French insurer. Fibelpar and Compagnie Nationale à Also, Portefeuille, two holding companies higher up the cascade, have been merged.

EDC plans $1bn expansion

By Raymond Colitt in Caracas

EDC, Venezuela's leading private utilities enterprise, is moving ahead with a $1bn 10-year expansion plan and will aggressively diversify its operations throughout Latin America.

The announcement, by Francisco Aguerrevere, EDC president, marks an acceleration of its drive to become a regional, diversified utilities company. EDC has bought power companies in Colombia and Guatemala in the past 12 months, as well as a number of public services providers in Venezuela.

Electricidad de Caracas, the electricity division, plans in the next four years to upgrade existing thermo-electric plants and construct a new plant with an installed capacity of 1,300MW. Capital investment would initially be about $380m "but we are looking at about $1bn over the next 10 years", said Mr Aguerrevere.

Most of the expansion will be debt-financed – initially through bank loans and later, when market conditions improve, by raising funds on the international capital markets.

Bruised Netscape angles for corporate users

'Browser wars' have led the internet pioneer to focus on electronic commerce, writes **Christopher Price**

Market movers

Netscape's choice of the Presidio, a former army barracks in San Francisco, to launch its new corporate strategy last week was apt. The internet software pioneer was outlining its counter-attack to the bitter "browser wars" with Microsoft which have led it to lose half its revenues.

Convincing Wall Street that one of the market's former star performers can make a comeback is not easy. The day after it unveiled its plans, the shares dropped to $23 11/16 – comfortably above the low point of $16 in January, but trailing its year-high of $49.

The new strategy is focused on exploiting the growth in business use of the internet, first through the sale of electronic commerce software, and second through the development of a digital marketplace where transactions can take place.

While many analysts gave a cautious welcome to the plan, the share price fall reflected concerns that Netscape would still struggle to replace the gaping hole in its revenues left by its decision in January to stop charging for its Navigator software, which enables internet users to access and "browse" the world wide web.

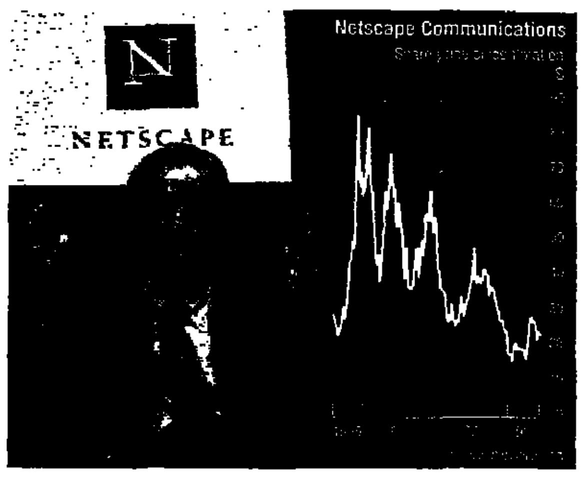
The drastic move was forced on the company by Microsoft, which included internet browser software in its Windows 95 computer operating system – used on 90 per cent of the world's personal computers. Navigator sales accounted for half Netscape revenues a year ago, a figure which has fallen to zero.

Microsoft's tactics are the subject of US Justice Department charges, but the anti-trust case is unlikely to benefit Netscape directly. The bruising battle has left the internet software company with its strategy badly holed.

Last year, the company incurred losses of $115.5m on revenues of $534m.

Yet it was an upbeat Jim Barksdale, chairman and chief executive, who addressed some 300 analysts and journalists last week.

"The internet software and services market will grow from $12bn this year to $45bn in 2001 – that is our market opportunity," he said. Netscape aims to become dominant in the provision of e-commerce software and services to large corporate users. It believes the "net economy" will be driven not by retail sales, such as books and computers, but by business-to-business transactions.



Mr Barksdale cited Citibank, which has recently signed an agreement with Netscape to buy the group's software and services. The bank aims to increase customers from 100m to 1bn by 2010, mainly through online financial services.

This focus on large corporate users is a radical departure for a company which formerly sought to bring the web to mass use through its Navigator browser. Marc Andreessen, executive vice-president of products and marketing, and a co-founder of Netscape four years ago, said: "We used to target everyone, everywhere. Not any more. We are targeting sales at specific customers."

These include the company's biggest 2,500 corporate customers and the industry's internet service providers – which Netscape believes will develop e-commerce offerings. Netscape has also launched an internet portal site, Netcenter. Portals are gateways to the world wide web and are being increasingly seen as valuable for advertising and sponsorship because of the large amount of internet traffic which passes through them.

Netscape's still-strong position in the browser market has enabled Netcenter to grow quickly and it already has 5m members and some 80m visitors. However, the group is late into the market and faces tough competition for advertising revenues from internet media companies such as Yahoo!, and the omnipresent Microsoft, which is expected to enter the portal market shortly. But Netscape also intends to use Netcenter as a marketplace for e-commerce transactions – a move it believes will benefit software sales.

Mr Barksdale said one of the group's great challenges was "staying ahead of the technology", a tough task against competitors with deeper pockets. "The biggest danger for our strategy is if the market doesn't take off in the way we believe it will," Mr Barksdale admitted. However, he insisted the net economy was at "flashpoint" and "ready for take-off". Netscape, badly wounded in the battle with Microsoft, is, he said, successfully fighting back.

Moody's lowers Wharf ratings

By Louise Lucas in Hong Kong

Wharf (Holdings), the troubled Hong Kong property group, has suffered another blow, with Moody's Investors Service downgrading its debt ratings.

The move, which follows downgrades by Standard & Poor's and stands to raise its cost of funds, comes as Wharf is aiming to refinance part of its debts.

Financial statements show some HK$2.8bn (US$361m) of debt is due to be refinanced this year, according to Lehman Brothers, and financial managers have acknowledged that doing so will be tougher in the current tight credit market. This means rates and maturities will be less favourable than those achieved in the past.

"Tightened liquidity in the Hong Kong bank loan market, and the high Hong Kong dollar interest rate environment, pose higher refinancing risks for Wharf," said Moody's. "These factors, coupled with its significant amount of Hong Kong dollar floating-rate debt, may further strain its liquidity."

Philip Tulke, analyst at Lehman Brothers, said the group's net debt rose from HK$17bn at end-June 1997 to more than HK$27bn at year-end. Gearing doubled from 17 per cent to 32 per cent.

However John Hung, executive director of Wharf, said the group was able to maintain a debt to asset ratio of 23 per cent (a different calculation from debt to equity) and that this was unlikely to rise above 30 per cent.

"The refinancing needs of the group in 1998 are less than 10 per cent of its loan portfolio, some of which has already been secured," he said.

Mr Hung said Moody's, which lowered the guaranteed debt of Wharf's subsidiaries from Baa1 to Baa3, and kept the rating outlook at negative, was reacting to macroeconomic issues that affected Hong Kong as a whole.

Hong Kong property prices have fallen by about 40 per cent since last summer and retail space – which is a key contributor to Wharf's earnings – has been particularly badly hit.

Astra heads for divorce from Merck to maximise US profits

End of joint venture for marketing of anti-ulcer drug Losec would open Swedish company's way to fresh partnership or merger, writes **Tim Burt**

Executives from Astra, the Swedish pharmaceuticals group, met yesterday at the Waldorf Astoria hotel in New York to hammer out the final details of an estimated $10bn deal to acquire control of its US joint venture from Merck, one of North America's largest drug manufacturers.

The "restructuring transaction", expected to be unveiled this week, will signal the start of divorce proceedings following a 16-year relationship between Astra and Merck, which in the US jointly distribute and market Losec, the anti-ulcer treatment and the world's top-selling prescription drug.

Hakan Mogren, Astra chief executive, is likely to proclaim the deal as a watershed for the Swedish group – enabling it to maximise future US profits from Losec, marketed in the US as Prilosec, and clearing the way for a potential strategic partnership or merger with another pharmaceuticals group.

"It has been no secret for years that Hakan would have preferred to have full control and ownership of the joint venture," said one Astra insider. "Now it looks as though he will get it."

Although the deal should give Astra freedom to take part in the consolidation wave sweeping the pharmaceuticals industry, the terms of the transaction also raise questions about the Swedish group's past and present strategy.

Certainly, Merck appears to have profited hugely from the relationship. When the US group signed a joint licensing pact with Astra in 1982, Losec was little more than a promising anti-ulcer medication.

At the time, Losec's uncertain prospects persuaded Astra's management to agree with Merck a pricing formula which has since been criticised by some pharmaceutical analysts as a "golden giveaway". In return for selling Losec through its distribution network, Merck also won marketing rights and a share of profits from several other Astra products.

The Swedish group also agreed that when Merck's sales of Astra products reached a certain level, it would acquire a 50 per cent stake in a new joint venture with the US group.

Given Prilosec's success in the US, Astra had to pay $820m for a stake in Astra Merck when the joint venture was eventually formed in 1994.

"Hakan always thought this was a bad deal," said one former Astra executive. "But now he appears willing to pay top dollar for majority control."

Under the terms of the transaction, Merck will receive an upfront payment of an estimated $1.5bn–$3bn, followed by further staged payments over 10 years, in return for reducing its stake in Astra Merck from 50 per cent to less than 5 per cent.

One official close to the transaction predicted the final cost to Astra could reach $15bn, although most analysts believe it will be closer to $10bn.

That looks a hefty charge, especially given it will probably exhaust Astra's SKr27bn ($3.46bn) cash pile. The deal looks even costlier with patent protection over Prilosec beginning to expire in the US in 2001.

Astra, however, argues the fee arrangement is justified on several counts. It says the deal will release the company from an onerous obligation to pay Merck 50 per cent of US profits on any Astra products distributed through the joint venture. Last year, Astra put its 50 per cent share of the profits from Astra Merck at SKr3.27bn on sales of SKr8.91bn.

By receiving more than 90 per cent of Astra Merck's future profits, the Swedish group will be able to rebuild its cash pile and enjoy the full benefits of distributing new products through an existing distribution network across the US.

Perhaps most important, it will remove Astra's links with Merck as the potential poison pill to any strategic deal under consideration by Astra. The company's largest shareholders, led by Investor – the main investment vehicle of the Wallenberg business empire – recognise it had to resolve the Merck relationship before taking part in industry consolidation.

"Shareholders and fund-managers are reacting positively to the potential buy-out," said one investor. "It will give the company much more flexibility."

Mr Mogren has already named Schering Plough of the US and Zeneca of the UK as potential partners, but no discussions are thought to be under way. The risk for Astra is that the arrival of generic competitors to Losec undermines US profits to such an extent that its own value is diminished, and hence any bargaining power in merger talks.

Astra relies heavily on Losec to underpin its profits – it accounted for almost half its SKr44.9bn profits last year. And sceptics point out that operating margins at Glaxo Wellcome declined by up to 5 per cent following the patent expiry of Zantac, the UK group's blockbuster anti-ulcer treatment.

Astra, moreover, has a far heavier dependence on Losec than Glaxo Wellcome has on Zantac. The company claims it has greater patent protection over Losec than most analysts suspect, and that paying a full price to take control of Astra Merck can, therefore, be justified.

Hakan Mogren: long wanted full control of the joint venture

"We have been planning our strategy for many years on Losec," Mr Mogren told the Financial Times recently. "Our relationship with Merck has given us enormous muscle in the US, and you can be sure we will not throw that away."

INTERNATIONAL BONDS INVESTORS RESUME FLIGHT TO QUALITY

Fresh jitters in emerging markets

By Jeremy Grant

Just when emerging market bond issuers felt it was safe to revisit the capital markets after the initial shocks from the Asian financial crisis, a fresh bout of jitters has sent most back below decks.

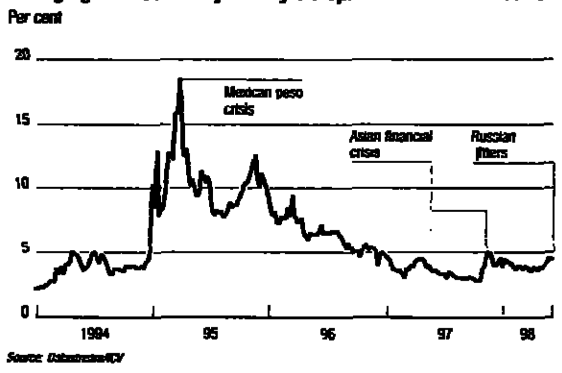
Indonesia's economic woes, fresh worries over Russia's shaky domestic finances and disquiet over the state of the Japanese economy have sparked another emerging market shake-out.

Investors have resumed flight-to-quality buying and emerging market yields spreads have widened again, raising the cost of borrowing for sovereigns.

As recently as March, the sovereign bond yield spread over US Treasuries on the J.P. Morgan emerging markets bond index – widely viewed as a benchmark – was at 448 basis points over US Treasuries. By last week, it was hovering around the 530 basis points mark.

For many would-be issuers – Thailand, South Africa, even tiny Moldova – this has delayed their eurobond debuts. Last week, Jamaica was among the few to brave the markets with a $250m issue priced at 525 basis points over US benchmark.

Emerging Markets Brady Bond yield spread over US Treasuries



Source: Datastream/ICV

But with the chutzpah of Russia's $1.25bn eurobond last week and Indonesia's commercial bank debt rescheduling package, is there life in emerging debt markets after all?

In particular, does this herald another revival in debt issuance and a tightening of spreads?

For most would-be issuers, the immediate prospects are slim. Economists say investors are still smarting from the Asian financial crisis. Add Russia to the mix and funds are likely to remain sidelined.

"It's undoubtedly the case that we're going to see fairly low bond issuance for the year as a whole. Unless we see the emerging market problems spread further afield there may be higher issuance in the final quarter of the year – Brazil and Argentina perhaps," said Chris Portman, senior emerging markets analyst at ANZ Investment Bank.

One consolation is that spreads seem unlikely to widen any further.

Paul Luke, head of trading at Deutsche Bank, points out that Asia's debt problems are overwhelmingly private and that investor perception of sovereign credit has held up relatively well.

"The one thing you can say about Mexico and Korea is that when push came to shove public sector obligations were honoured. We have a certain degree of comfort that they [emerging market sovereigns] will pay, and that leads to a reduced default probability. That will cap the widening of spreads," said Mr Luke.

In addition, some analysts say that progress in carrying out structural reforms in Thailand and South Korea may help bring in spreads.

Meanwhile, the only borrowers likely to come to the party are those whose financing needs are so acute that they cannot wait for this to happen.

That helps to explain the latest Russian offering, which surprised markets given its yield of 650 basis points over US Treasuries.

Like Ukraine – which says it needs $2bn from overseas this year – Moscow needs huge slices of funding in coming months. Bankers talk in terms of monthly needs of $5bn.

However, with the domestic government bond market expensive, Russia has little choice but to seek funds abroad.

"At the moment it's cheaper than funding themselves domestically. If you assume the rouble devalues roughly in line with inflation, it's substantially cheaper than domestic yields," said Tim Unger, emerging markets analyst at ING Barings.

One factor in Russia's favour – at least in theory – is that in spite of emerging market wobbles, the relentless pursuit for high-yielding paper goes on.

With the US basking in low inflation and interest rates apparently on hold, yields on the country's bond market are not much of a pull.

In Europe, the onset of full monetary union and lower short-term interest rates is having the same damping effect on yields and investors are looking down the credit spectrum for better returns.

Juliet Sampson, emerging markets analyst at Bank of America, believes that successful debt issuance by Russia could help restore some investor confidence.

However, most analysts agree that much depends on whether Moscow can deliver on economic reforms.

According to Mr Unger, there is still much at stake with further Russian bond issues. "At the moment, sentiment is improving. But it will only count if the package of reform measures bears fruit. It's a gamble," he says.

Petro-Canada deal probed

By Edward Alden in Toronto

Canada's authorities have thrown up an obstacle to a proposed joint venture that would create the country's largest oil refining and marketing entity.

The Competition Bureau has concerns over a deal between Petro-Canada, Canada's third largest integrated oil company, and Ultramar Diamond Shamrock, an independent Texas-based oil company.

The two companies signed a memorandum of understanding in January to form a marketing and refining joint venture in Canada, Michigan and New England.

The alliance would operate five refineries with a daily capacity of 500,000 barrels of crude oil and would control 3,500 retail outlets.

The companies estimated cost savings of US$456m from the joint venture, which would have annual revenues of US$6.2bn.

While the bureau would not give details of its concerns, analysts said the main issue was the alliance's potential dominance of retail service stations in Quebec and the Atlantic provinces.

The venture would control about 35 per cent of petrol stations east of Ontario.

Independent marketers are also seeking assurances on future access to refined products, and other large refiners such as Shell Canada Resources are thought to have raised questions.

Petro-Canada spokesman Robert Andras said the company was surprised by the degree of scrutiny from competition authorities.

The transaction, which was supposed to be concluded this spring, will be further delayed until the issues are resolved, he said.

The Competition Bureau may be flexing its muscles in advance of a decision expected later this year on two large bank mergers, said Martin Molyneaux, at First Energy in Calgary.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Alcatel (France)	DSC Communications (US)	Telecoms equip	$4.4bn	Stock for stock
Stora (Sweden)/Enso (Finland)	Merger	Pulp & paper	$4.25bn	Consolidation
Travelers Group (US)	Nikko Securities (Japan)	Financial srvcs	$1.6bn	Earthshaker
GRE (UK)	Unit of ING (N'lands)	Insurance	$1bn	US midwest move
ING (N'lands)	Unit of GRE (UK)	Insurance	$375m	Canadian deal
Volkswagen (Germany)	Cosworth (UK)	Engineering	$195m	Intent declared
Wolseley (UK)	Carolina Holdings (US)	Building materials	$163m	Cash + debt
Compass (UK)	Restaurant Associates (US)	Catering	$87.5m	Access opener
Merrill Lynch (US)	Phatra Securities (Thailand)	Banking	$63m	51% stake
Interseroh (Germany)	CDI (France)	Paper	$36m	Smurfit sale

NOTICE OF REDEMPTION
TO THE BEARER HOLDERS OF
Alberto-Culver Company
5½ percent Convertible Subordinated Debentures due 2005
(ISIN XS0058384016)
Redemption Date: 15th July, 1998

NOTICE IS HEREBY GIVEN THAT, pursuant to Sections 1103 and 1104 of the Indenture dated as of 30th June, 1995 (the "Indenture") between Alberto-Culver Company (the "Company") and Bankers Trust Company, as Trustee (the "Trustee"), the Company has elected to exercise its option to redeem and will redeem all of the outstanding 5½ percent Convertible Subordinated Debentures due 30th June, 2005 (the "Securities") issued pursuant to the Indenture and the Company does hereby call all of the principal amount of the Securities for redemption on 15th July, 1998 (the "Redemption Date") at a redemption price of 100 percent of the principal amount of the Securities (the "Redemption Price") plus accrued interest from 1st July, 1998 of U.S. $2.29 per U.S. $1,000 principal amount of Securities ("Accrued Interest").

On the Redemption Date, the Redemption Price plus Accrued Interest will become due and payable on the Securities, and interest on the Securities will cease to accrue on and after such date. The Securities must be surrendered, together with all unmatured coupons, to any address set forth below to collect the Redemption Price.

The Securities are convertible into Class A Common Stock (the "Common Stock") of the Company at a Conversion Price equal to U.S. $16.1875 for each share of Common Stock (each U.S. $1,000 principal amount of Securities will be convertible into 61.776 shares of Common Stock). The right to convert the Securities will terminate at the close of business on 15th July, 1998. No fractional shares will be issued, but cash will be paid in lieu of any fractional shares. The closing price of the Common Stock on the New York Stock Exchange was U.S. $27 per share on 29th May, 1998.

Holders of Securities who wish to convert their Securities into Common Stock must (i) surrender the Securities, together with all unmatured coupons, duly endorsed or assigned to the Company or in blank, at any address set forth below, (ii) complete and sign the Conversion Notice on the back of their Securities and (iii) have their Securities and coupons received at any address set forth below not later than the close of business on 15th July, 1998, at which time the right of conversion will terminate. The Securities may not be presented for redemption or conversion at any office of the Company, the Trustee or any paying agent of the Company in the United States of America.

If any Security is converted on or after 30th June, 1998, interest payable on 30th June, 1998 will be paid to the bearer of that Security who surrenders the appropriate coupon to any address set forth below, notwithstanding such conversion. The holder of a Security converted prior to 30th June, 1998 will not be entitled to be paid the interest otherwise payable on 30th June, 1998. Accrued Interest from 1st July, 1998 to the date of conversion will not be paid on any converted Security.

The Securities and coupons and the Required Certificate (only for redemptions) as set forth herein, must be surrendered to collect the Redemption Price or to convert the Securities into Common Stock at one of the following locations

Redemption or Conversion	*Redemption or Conversion*	*Redemption Only*
Bankers Trust Company 1 Appold Street Broadgate London EC2A 2HE United Kingdom	Bankers Trust Luxembourg S.A. 14 Boulevard F.D. Roosevelt L-2450 Luxembourg	Swiss Bank Corporation Paradeplatz CH-8010 Zurich

REQUIRED CERTIFICATE
Alberto-Culver Company
5½ percent Convertible Subordinated Debentures
Due June 30, 2005

The undersigned holder of this Security understands that the Company may be required by Section 1445 of the United States Internal Revenue Code of 1986, as amended, to withhold ten percent of the principal payable to the holder upon the redemption of this Security if this Security constitutes a "United States real property interest", as such term is defined in United States Temporary Treasury Regulations Section 1.897-9T(b) or applicable successor regulations, in the hands of the beneficial owner of this Security if such beneficial owner is not a United States person, as such term is defined in Section 7701 of the United States Internal Revenue Code of 1986, as amended. In order to inform the Company whether withholding is required upon the redemption of this Security, the undersigned holder, for itself and on behalf of the beneficial owner of this Security, hereby certifies as follows:

- ☐ This Security constitutes a United States real property interest, as above defined, in the hands of its beneficial owner;
- ☐ This Security does not constitute a United States real property interest, as above defined, in the hands of its beneficial owner;
- ☐ The beneficial owner of this Security is a United States person, as above defined, whose name, address and taxpayer identification number are as follows:

____

____

____

No payment of the Redemption Price or any accrued interest will be made to the holder or any other person with respect to the redemption of this Security unless one, but only one, of the boxes above is marked.

[Name of Holder]

Dated, ________________*
*To be dated the date of presentation or surrender

Call Notice
Coöperatieve Centrale Raiffeisen Boerenleenbank B.A.
(Rabobank Nederland)
Series No: 204
U.S. $100,000,000
6.375 per cent. Callable Step up Notes due 2001

NOTICE IS HEREBY GIVEN that pursuant to Term 17 of the Pricing Supplement, Rabobank Nederland will redeem all of the Notes at par value on the next interest payment date, 12th June, 1998, when interest on the Notes will cease to accrue.
Repayment of principal will be made upon presentation and surrender of the Notes with all unmatured coupons attached at the offices of any Paying Agents listed below.

Paying Agents

Bankers Trust Company 1 Appold Street Broadgate London EC2A 2HE	Bankers Trust Luxembourg 14 Boulevard F.D. Roosevelt L-2450 Luxembourg	Swiss Bank Corporation SM-Cl/Paying Agency Functions P.O. Box 8010 Zurich Switzerland

Accrued interest due on 12th June, 1998, will be paid in the normal manner on or after that date against presentation of Coupon 1.

Bankers Trust Company, London — Fiscal Agent, Paying Agent and Transfer Agent
5th June, 1998

NOTICE TO THE HOLDERS OF
PTE 10 BILLION FIXED RATE NOTES CONVERTIBLE INTO FLOATING RATE NOTES
DUE 24TH JUNE 2002
XS0077187051
ISSUED UNDER EIB DEBT ISSUANCE PROGRAMME
ECU 5BILLION, SERIES 15, TRANCHE 1

NOTICE is hereby given, pursuant to provision 32 of the Pricing Supplement of the above notes, the Company will exercise the right to convert the fixed rate of 5.75% payable annually on 24th June to bi-annual payments on 24th June and 24th December each year into floating rate 6 month PTE LISBOR, plus 5 basis points. Upon conversion the provisions of 12, 13, 14, 15, 16, 17, 19, 20, 21 of the pricing supplement together with the other provisions applicable to Floating Rate Notes shall apply thereto.

BEI/EIB 100 Boulevard Konrad Adenauer L-2950 Luxembourg	Fiscal Agent: Citibank NA 336 Strand London WC2R 1HB

June 8, 1998
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank

T.I.M. (LUXEMBOURG) S.A.
US$20,000,000 FRN DUE 1998

In accordance with the provisions of the above mentioned Notes, notice is hereby given as follows:

- Interest period: June 8, 1998 to December 7, 1998 (182 days)
- Interest payment date: December 7, 1998
- Interest rate: 6.30% per annum
- Coupon amount payable per Bond of US$100,000: US$3,185.-

Agent Bank
BANQUE INTERNATIONALE A LUXEMBOURG

De Beers Centenary Finance PLC
(Incorporated in the Isle of Man under the Companies Acts 1931 to 1993 Registered Number 66056C)

£100,000,000 9⅞ PER CENT GUARANTEED BONDS DUE 2020 (the 'Bonds')

INTEREST PAYMENT NO. 7

Interest on the Bonds for the six months ending 30 June 1998 at the rate of £487.50 per £10,000 in principal amount of the Bonds will be paid on 30 June 1998 as follows:-

i) To holders of Bonds in registered form registered as such on 15 June 1998; and

ii) To holders of Bonds in bearer form by presentation and surrender of coupon no. 7 detached from Bearer Bonds to any of the following paying agents:-

Morgan Guaranty Trust Company of New York 60 Victoria Embankment London EC4Y 0JP, United Kingdom	Swiss Bank Corporation Paradeplatz 6 CH-8010 Zurich Switzerland
Morgan Guaranty Trust Company of New York Avenue des Arts 35 B-1040 Brussels, Belgium	Banque Paribas Luxembourg 10A boulevard Royal L-2093 Luxembourg

The ex-interest date on the London Stock Exchange is 8 June 1998. Payment of interest will, where applicable, be subject to deduction of United Kingdom income tax.

Registered and Head Office: 6 Hope Street Castletown Isle of Man IM9 1AS United Kingdom	Registrar: Computershare Services PLC Registrars Department, PO Box No. 82, Caxton House, Redcliffe Way, Bristol BS99 7NH United Kingdom

4 June 1998

ABBEY NATIONAL

Abbey National Treasury Services plc

US$1,000,000,000
Guaranteed Floating Rate Notes 1999

Notice is hereby given that the notes will bear interest at 5.625% per annum from 8 June 1998 to 8 September 1998. Interest payable on 8 September 1998 will amount to US$14.38 per US$1,000 note, US$143.75 per US$10,000 note and US$1,437.50 per US$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Solvay Societe Anonyme

The general meeting of 4th June 1998 approved the distribution for the Financial Year 1997 of a net dividend of BF60 on bearer shares. The final dividend of BF50 will be payable by BF draft, by transfer to a BF account, or, in sterling at bankers' sight buying rate for Belgian Francs on the day of presentation at the option of the holder against presentation of Coupon No. 62 at the offices of:-

Schroder Investment Management Limited
8th Floor, 1 King Edward Street
London EC1A 7AN
Attention Coupon Department

between the hours of 10am on or after the 11th June 1998. UK tax will be deducted from the net dividend unless lodgements are accompanied by the necessary affidavit. Shareholders should note that under the terms of the UK/Belgian double taxation convention Solvay shareholders resident in the UK are eligible, upon submitting a duly completed Form 276 DIV, to partial reimbursement of Belgian withholding tax equal to 20 per cent of the net dividend.

COMPANY NOTICES

Solvay Societe Anonyme

The general meeting of 4th June 1998 approved the distribution for the Financial Year 1997 of a net dividend of BF60 on bearer shares. The final dividend of BF50 will be payable by BF draft, by transfer to a BF account, or, in sterling at bankers' sight buying rate for Belgian Francs on the day of presentation at the option of the holder against presentation of Coupon No. 62 at the offices of:-

Schroder Investment Management Limited
8th Floor, 1 King Edward Street
London EC1A 7AN
Attention Coupon Department

between the hours of 10am and 2pm on or after the 11th June 1998. UK tax will be deducted from the net dividend unless lodgements are accompanied by the necessary affidavit. Shareholders should note that under the terms of the UK/Belgian double taxation convention Solvay shareholders resident in the UK are eligible, upon submitting a duly completed Form 276 DIV, to partial reimbursement of Belgian withholding tax equal to 20 per cent of the net dividend

NEWS DIGEST

GOLD MINING

Battle settled between Newmont and Normandy

The long-running legal battle between Newmont Mining and Normandy Mining, Australia's biggest gold producer, was finally decided at the weekend when the Peruvian Supreme Court ruled in favour of the US group over ownership of Yanacocha, Latin America's largest gold mine and one of the world's lowest-cost producers.

The decision ends a two-year dispute between the two groups that arose after Normandy bought most of BRGM, the former state-owned French mining company. The US mining group and Buenaventura, its Peruvian partner, claimed this deal triggered its right to acquire a 24.7 per cent stake in Yanacocha which BRGM had held for $109.3m.

This appeared to be settled in favour of Newmont and its Peruvian partner last year, but in September the Supreme Court said it would examine the case. At that stage, Robert de Crespigny, Normandy chairman, said he believed his company still had a "strong case", adding that he believed the issue would be resolved by the "most superior court".

Newmont said its stake should increase from 38 per cent to 51.35 per cent, while Buenadventura's should rise from 32.3 per cent to 43.65 per cent. Newmont has been accounting for its holding on this basis since the lower court ruling went in its favour in February 1997. The US company's share of the additional purchase price was put at about $59m.
Nikki Tait, Chicago

DAIMLER-BENZ

Rights issue share price set

Daimler-Benz, the German industrial group which is merging with Chrysler of the US, has set the price for new shares in its forthcoming DM7.5bn ($4.23bn) rights issue at a 20 per cent discount to Friday's closing level. Shareholders will be able to subscribe to the new shares on a 1-for-10 basis at DM144. This compares with Friday's closing price of DM179.80, up from DM164 when the move was announced in March.

The share issue – originally set slightly lower at DM7.4bn – is part of Daimler-Benz's move to give shareholders an extraordinary DM10.3bn pay-out, enabling them to take advantage of tax savings by the group. It is recouping the bulk of the payment through the rights issue, with the remainder coming from a tax credit. This is possible because tax is higher in Germany on retained earnings than on dividends.

The discount is at the upper end of expectations. The subscription period will run from June 12 to June 25.

The two biggest shareholders, Deutsche Bank with 22 per cent and Kuwait with 13 per cent, have said they would take part in the capital increase. Deutsche Bank is lead manager of the share issue, with Goldman Sachs as co-lead manager.
Andrew Fisher, Frankfurt

GERMAN FINANCE

Berlin bank lowers its sights

Bankgesellschaft Berlin, the German banking group, has scaled back its expectations for profits this year following a poor performance in the first five months. Wolfgang Rupf, chairman, said business had not been as good as hoped and "only a slight increase in profits will be achievable".

In 1997 the group, which is largely publicly owned and includes both public and private sector banks, had net profits of DM285m. In the first five months of 1998 operating profits were DM283m, a slight increase on the same period in 1997.

Mr Rupf said the planned merger with Norddeutsche Landesbank, a regional state bank, was still on track. Shareholders will vote on the deal, which would create Germany's fourth largest bank, at a meeting in the autumn.
Frederick Stüdemann, Berlin

MUTUAL FUNDS

Credit Suisse in joint venture

Credit Suisse Asset Management, which is owned by the Swiss-US bank, is to join Warburg Pincus Asset Management, the US mutual fund group, in a global distribution venture.

Phil Ryan, chief financial officer for CSAM, said: "The new venture is not exclusive. Both of us can pursue our various strategies, but given the extremely high valuation levels for asset managers this is a very attractive venture." The deal involves both sides distributing each other's products in home markets. It gives Credit Suisse a firmer foothold in the US market, as its products will be distributed through the Warburg retail distribution channels, while the US group gains access to CSAM's network in Europe. Mr Ryan said the two sides were keen to develop the venture in the UK and Japan.
Jane Martinson

FIDELITY INVESTMENT

Director faces tax probe

One of Fidelity Investment's senior pensions directors has started a leave of absence while he is investigated for tax offences in the US. Robert Flater, head of the group's international defined contribution business, has been indicted on several tax charges, including failure to account for and pay withholding tax between 1992 and 1995. Mr Flater was running his own company during this time.

He joined Boston-based Fidelity, the largest independent fund manager, in 1996. The charges, which have still to come to trial, will come as a blow to the company, which has recently recovered from a spate of bad performance and the departure of several managers. **Jane Martinson**

ISRAELI PRIVATISATION

UMB sale raises Shk730m

Israel has raised Shk730m ($200m) in a heavily oversubscribed offering of shares and warrants in United Mizrahi Bank (UMB), the country's fourth biggest, on the Tel Aviv Stock Exchange. The government hopes to raise another Shk88m today in an over-allotment tranche, worth 3.7 per cent of UMB's equity. Last week's 18 per cent offering was 4.5 times oversubscribed.

Including shares offered to employees, the state's stake in UMB will drop from 49 per cent to below 22 per cent. If all warrants are exercised, the state will hold only 1 per cent by the end of 1999. Last year, a 51 per cent stake in UMB was sold to a group of private investors. **Avi Machlis, Jerusalem**

FOOD AND DRINK

Orkla profits undermined

Underlying profits at Orkla, the Norwegian food and drinks conglomerate, were undermined in the first four months of the year by reduced beverage sales and sharply lower contributions from the company's food businesses.

Orkla, reporting flat operating profits of NKr474m ($64m) on sales up from NKr9.42bn to NKr9.58bn, said 1998 had started badly, with grocery volumes down in Norway and Sweden. Drinks turnover fell following the winding-up of its co-operation with Coca-Cola of the US. The company said the end of the Coca-Cola bottling and distribution deal would be offset by the introduction of a production agreement with PepsiCo – due to begin before 2001. **Tim Burt, Stockholm**

EMERGING MARKETS PUBLIC OUTCRY OVER SALE OF IONIAN BANK FAILS TO DETER SOCIALIST GOVERNMENT

Greece pursues privatisation plans in earnest

By Kerin Hope in Athens

Foreign investors are delighted by Greece's bid to catch up with its southern European partners and join the single currency by 2001.

Daily trading volume on the Athens stock exchange has quadrupled since the drachma joined Europe's exchange rate mechanism on March 12.

Investors are backing the Socialist government to win its battle to restructure loss-making public sector companies and speed up privatisation. Recent clashes between riot police and striking workers opposed to the sale of state-owned Ionian Bank sent brief tremors through the market, but the underlying mood remains confident.

The Athens general index closed at 2,562.82 on Friday. It has retreated from last month's record of 2,669, but is still almost 60 per cent up on the year.

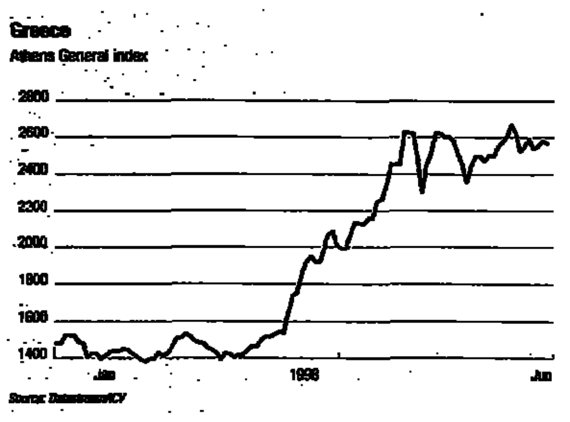
"There's some nervousness about what's going to happen with Ionian Bank, but every point-and-a-half drop in the index is seen as a buying opportunity," says Constantine Xenos, head of research at Egnatia Securities. "The market seems convinced that the government is serious about meeting its deadlines."

The Socialists claim the budget deficit will fall this year to 2.9 per cent of gross domestic product, just within the Maastricht requirement for participating in monetary union.

In spite of a jump in inflation, caused by a 12.1 per cent depreciation of the drachma against the Ecu at the time of its ERM entry, Greece is on track to reduce its inflation rate to 2 per cent by the end of next year.

The Socialists' fast-track privatisation programme is projected to raise at least $1.3bn this year to help reduce the public debt to a level compatible with membership of the euro zone.

Bank shares led the surge in prices that followed the drachma's ERM entry, and are still popular. A sharp rise in bond prices should boost second-quarter earnings as most banks have big holdings of government paper.



Analysts agree that the sector must consolidate over the next 18 months in order to remain competitive. The sale of Ionian, due later this month through a tender on the stock exchange, is seen as the catalyst for reform.

Greek banking is still dominated by inefficient state-owned banks with high operating expenses and large portfolios of doubtful loans.

The proceeds from selling a 51 per cent stake in Ionian Bank would provide a much-needed capital injection for Commercial Bank, its struggling parent group. With a market share of about 18 per cent, Commercial's size should ensure its survival.

However, smaller state-controlled banks could be swallowed up by the more aggressive private banks, which are also likely to acquire their less successful private sector rivals.

Two fast-growing private banks, Alpha Credit, and Piraeus Bank, are planning rights issues to fund new acquisitions.

Alpha Credit, Greece's biggest private bank, says it will raise Dr80bn-90bn ($266m-$299m) in the next few weeks to help finance a bid for Ionian, while Piraeus is the front-runner to acquire Cretabank, the next bank scheduled for sale under the government's privatisation scheme.

"There won't be room for more than a dozen banks in Greece by the turn of the century," says Haris Stamatopoulos, Ionian's governor. "But those that are left will have lots of room to grow."

The current round of privatisation also includes a 20 per cent stake in Hellenic Petroleum, the profitable state oil-refining group.

HP has quietly restructured itself over the past year, splitting its oil-refining and downstream operations into separate divisions and expanding its nationwide chain of petrol stations.

The offering, which is being launched this week, will be divided between domestic retail investors, whom HP is keen to attract, and domestic and international institutions. Pricing will be carried out through a book-building exercise next weekend. About Dr60bn is likely to be raised, according to analysts in Athens.

A third tranche in OTE, the public telecoms operator, amounting to 10 to 15 per cent, will be sold later this year. While OTE has underperformed the market, because of management problems and delays in digitising its fixed-line network, the government believes foreign investors still have a keen appetite for telecoms offerings.

Greece's first private telecoms flotation is only a few months away. The listing of 5-7.5 per cent of Panafon, the biggest of three Greek cellular operators, which is controlled by Vodafone of the UK, is due by December.

Skanska seeks acquisitions for foreign expansion

By Greg McIvor in Stockholm

Skanska of Sweden, one of Europe's largest construction groups, is eyeing strategic acquisitions as part of plans to expand its international presence following a big internal revamp.

Claes Björk, chief executive, said the company was interested in bolt-on acquisitions in selected areas as it sought to bolster its engineering, building and property development operations in overseas markets such as the US and the UK.

His comments came as the company announced the sale of SKr1.4bn ($180m) of forest land, the latest step in its disposal of about SKr17bn of non-core assets.

The divestment programme is the centrepiece of a far-reaching restructuring of Skanska's business portfolio and management structure by Mr Björk, following his appointment last year.

Mr Björk said Skanska wanted to enter the market for post-construction property management as well as establish a foothold in the oil, gas and power construction sector. This expansion would probably take place via acquisitions and chiefly in the US.

Skanska's US sales grew 38 per cent to SKr15.4bn last year, with most of the increase generated by organic expansion.

Mr Björk said Skanska was seeking to extend its market reach by supplying a broader range of construction-related services. These might include property design, maintenance operations and financing.

Meanwhile, he reaffirmed Skanska's commitment to Costain, the troubled UK contractor in which it purchased a 7.6 per cent stake last year. "Our ambition is to become one of the leading contractors in the UK," he said.

He added it was too early to say whether Skanska would exercise an option to increase its stake in Costain to 40 per cent within two-and-a-half years.

In Sweden, Skanska said the sale of forest land to Gustaf Douglas would generate a pre-tax capital gain of about SKr1.1bn. The deal leaves Skanska to dispose of two remaining non-core holdings: a 39 per cent equity stake in Scancem, the quoted Nordic cement group, and a 8.7 per cent holding in SKF, the Swedish rolling bearing supplier.

● Kone, the Finnish lift and escalator maker, returned to profit in the first four months of the year following increased modernisation and maintenance orders and improved demand in North America, writes Tim Burt in Stockholm.

The company, which earlier announced an alliance with Toshiba, reversed pre-tax losses of FM19m in the first four months of 1997 with a profit of FM41m ($7.6m) this time.

SFL and Hines do deals in Paris

By Norma Cohen in London and Andrew Jack in Paris

Société Foncière Lyonnaise, France's oldest property company, is to buy a portfolio of prime Paris buildings and a 50 per cent stake in a property management company for FFr2.6bn ($437m).

Separately, in a sign of resurgence in the Paris office market, Hines, the Texas-based real estate development concern, said it had pre-sold a new 700,000 sq ft office tower in the La Defense section of the city.

The buyers are a joint venture between Electricité de France and Caisse de Depôts & Consignations; EdF will be the 40-storey tower's principal tenant.

"We are looking at a number of interesting opportunities in France," said Michael Topham, Hines executive vice-president in charge of European development.

SFL's acquisition involves a share and cash deal with Exor, the quoted company in which the Agnelli family of Italy holds a significant stake. It will leave Exor with about 19 per cent of SFL.

Exor said it was still committed to the French property market but an arrangement to acquire shares was the best way to exploit the potential rise in the market. Future investments would also be made through acquisition of shares, Exor said.

The deal comes amid growing demand among investors for liquid, tradeable vehicles in which to gain exposure to the direct property market, to avoid the cumbersome process of owning real estate outright. Property shares are easier for institutional investors to buy, manage and sell than entire buildings or real estate portfolios.

The purchase includes 18 office properties in central Paris with more than 800,000 sq ft of lettable space.

As part of the deal, SFL will acquire a 50 per cent holding in European Prime Properties (EPP), the private property management company, which itself holds six properties in Paris.

SFL's strategy is to buy only in central Paris, where it believes property values have the best opportunities for appreciation. France is emerging from a severe property recession and non-domestic institutional investors have been keen buyers of both direct real estate and property company shares.

ABN left with hole in strategy

By Gordon Cramb in Amsterdam

The loss of Générale de Banque leaves ABN Amro, the Netherlands' biggest bank, with a hole in its European strategy barely six months ahead of European monetary union.

Its failure to secure Belgium's largest banking group comes less than two months after its bid for CIC in France was rejected.

ABN Amro "remains confident of its future" in the European Union, the bank said at the weekend.

It added on Saturday that it would, all the same, "strive to secure itself a second home market position in Europe". Jan Kalff, chairman, said on Dutch television: "We will continue to look around. There are still 10,000 banks in Europe."

The question is how many of those could provide both the size and breadth offered by Générale.

The Belgian group reaps about 20 per cent of its profits outside its domestic market. Some of those earnings come from the Netherlands itself, however, through a unit that ABN Amro would have been forced to sell, for competition reasons, had it won in Brussels.

Fortis, by contrast, may keep Generale Bank Nederland and thereby bolster its presence in Dutch retail banking. In investment banking, it can add the global network of Générale de Banque to the more localised expertise of the Amsterdam-based MeesPierson – which Fortis bought from ABN Amro 18 months ago for Fl 2.5bn ($1.25bn).

That disposal was designed to rid ABN Amro, owner of Hoare Govett in London, of an overlap in securities and asset management. But like the rival ING – which owns Barings and late last year paid Fl 9bn to take full control of Banque Bruxelles Lambert, Belgium's third largest bank – ABN Amro grew keener on strengthening its continental European presence as it became clear how wide the euro zone would be.

Jan Kalff: 'We will continue to look around' Tony Andrews

Before launching his assault on Générale, Mr Kalff had said several times that he found west European banks too expensive. However, the outcome of this first ever public bid battle involving two Amsterdam quoted financial institutions means, if anything, a further mark-up in those prices.

His foray pushed up the market value of Générale by as much as 22 per cent in 10 days. The latest offer by Fortis matches Friday's closing price for Générale, though it will pay less for the nearly 30 per cent of the diluted equity pledged to it by the main shareholders in the target group.

Those shareholders, led by the French-controlled Société Générale de Belgique, squashed a proposal by the bank's management in March that it should seek a merger with CIC. In Fortis, it has instead been given the, at least partly, locally based partner that Belgian sensitivities required.

With Générale de Banque at the head of a combined banking division, the tie-up will produce Europe's 15th largest financial institution by market capital.

ABN Amro was offering Générale a place among the top handful, although its role would not have been quite so core. The Dutch group, which had offered to move its centre for European operations to Brussels, will run that division from Amsterdam while it casts about for new candidates.

Belgium the winner in replay of 1988 saga

By Neil Buckley in Brussels

Belgium never expected to witness another takeover battle to rival the 1988 struggle by Italy's Carlo De Benedetti for control of Société Générale de Belgique, its biggest holding company. But, this weekend, there were echoes of that saga.

Both times, SGB was central to events: then as target and now as parent of the target – Générale de Banque.

Some characters are the same: Maurice Lippens, one of the leaders of the Belgian defence of SGB in 1988, and now co-chairman of Fortis, winner of the battle for the bank; and Viscount Etienne Davignon, then an SGB director, now chairman.

Both times, the tactics got dirty, with "poison pill" defences – more redolent of Wall Street than Brussels – brought into play.

And the forces of European integration were both times at work. Mr De Benedetti aimed to turn SGB into the first pan-European holding company ahead of the single market in 1992; Fortis and rival ABN Amro were attempting to take on a truly European scale before the launch of the euro.

But this time, the outcome was different. Unlike 1988, when French company Suez was called in as "white knight" to save SGB, this time Brussels has organised a Belgian, or at least Belgo-Dutch, defence of one of its biggest corporate assets.

After ABN Amro entered the bidding on May 26 with a surprise $12.2bn offer, trumping Fortis's $11.1bn, and the Belgo-Dutch Fortis was widely seen as underdog.

Even when it said last Friday morning it was prepared to raise its bid to up to 15 per cent above ABN Amro's, analysts expressed bemusement. But from that point, things turned in its favour.

As Fortis's board met on Friday to decide on raising its bid, six Générale directors called an emergency board meeting for 6pm.

On the agenda were moves to declare ABN Amro's bid hostile, allowing the use of a "poison pill" involving raising Générale's share capital 10 per cent, and selling the new shares to Fortis.

Four hours into a 14-hour meeting, Générale's board heard that Fortis was indeed raising its bid, to 6 per cent above ABN Amro's, valuing the bank at about $13bn.

By 8.30am on Saturday, when Générale's directors hauled themselves out of a tense and ill-tempered meeting, Fortis had achieved a triple whammy. It had a higher bid, ABN Amro's had been declared hostile, and the poison pill, duly executed, left 41 per cent of the bank in its hands.

As a member of Fortis's camp said on Saturday, just before ABN Amro pulled out: "We've got a higher bid, and more than 40 per cent, before even buying a single share in the market."

Barring further surprises, Belgium will, after all, get its Grande Banque Belge. The enlarged Fortis will be in Europe's top 15 banks and insurance companies by market capitalisation.

But celebrations are likely to be muted. Fortis is a dual-centred, Belgian-Dutch company. And the biggest shareholder in the enlarged group, with about 20 per cent, will be SGB – shortly to be swallowed up 100 per cent by France's Suez-Lyonnaise, ending unfinished business from 1988. Even with Fortis as the winner, the takeover of Générale is another step in the dismantling of Belgium's corporate frontiers.

Real Madrid takes a financial shot at the internet

By Clay Harris and Stephen McGookin

After proving it can get the ball in the net, Real Madrid is hoping to score *on* the net.

The Spanish football club, which won the European Champions Cup last month for the first time in 32 years, is set to break new ground this week with a finance sales pitch on the internet.

Real, aiming to regain control over its broadcasting and commercial rights, has bought them back for Pta12bn ($80m) from Gesport, part of the Canal Plus empire in Spain. The six-year contract had been due to run to 2003.

The club has already sold merchandising rights to the Adidas sportswear group in a 10-year deal worth $10m annually. Some television rights back under Real's control have also been sold, said Paco Zaragoza, a Madrid-based capital markets vice-president at Merrill Lynch, the US investment bank.

The rights repurchase is being financed partially by a Pta7.5bn loan from Merrill, which is now syndicating the facility to a wider group of borrowers, using the internet for that purpose for the first time in Europe.

This is an investment roadshow that will not require an away leg. The Real team, led by the club's president, Lorenzo Sanz, will be fielded only once, to make a presentation in the friendly confines of Madrid's Bernabeu stadium on Wednesday.

The next day, full proceedings will be available on the Merrill web site (*www.merrill-lynch.ml.com*).

It is still an all-ticket match, however. About 20 UK institutional investors will be given a password to access the presentation.

Merrill believes the internet could change the economics of investment roadshows, which are often limited by time and expense to a few venues such as London, Frankfurt, Zurich and Paris, bypassing smaller financial centres.

"This takes away the disadvantage for these investors and enables us to give them full access to this information," says Ryan Fayed, a Merrill vice-president for marketing and product development.

On-line meetings have been growing in popularity, either in a real-time text version, using technology such as Acuity's ichat, which Merrill already uses for its regular net events, or in video format, using software products such as Microsoft NetMeeting or Netscape's Conference.

Two forthcoming ichat seminars accessible through Merrill's site, for example, are on the topics of "Women and Estate Planning" and "Financing and Cash Management". These are specifically timed chat events, however, unlike the password-protected Real Madrid presentation.

Use of the internet is likely to be of increasing importance both to leading football clubs and financial institutions, as improved technology allows wider use of both video-conferencing – offering attractive business travel savings – and either live or delayed match broadcasts.

British clubs including Manchester United, Arsenal, Chelsea and Leeds have all been exploring the potential of internet broadcasting.

Real's 7½-year loan carries an interest rate of 115 basis points (1.15 percentage points) over three-month peseta Libor. It is guaranteed by the Adidas contract, although borrowers will have recourse to the club, which is owned by its members.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, June 5, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7771.24	4750.00	2678.92	3403.55
Albania	(Lek)	248.843	152.100	85.7820	108.985
Algeria	(Dinar)	96.4264	58.9385	33.2404	42.2317
Andorra	(French Fr)	9.7271	5.9455	3.3533	4.2802
	(Sp Peseta)	246.307	150.550	84.9102	107.875
Angola	(Readj Kwanza)	420874.4	257128.0	145016.1	184241.9
Antigua	(E Carib $)	4.4174	2.7000	1.5228	1.9347
Argentina	(Peso)	1.6351	0.9994	0.5637	0.7161
Armenia	(Dram)	823.114o	503.110	283.748	360.497
Aruba	(Florin)	2.9285	1.7900	1.0095	1.2826
Australia	(Aus $)	2.7234	1.6646	0.9388	1.1927
Austria	(Schilling)	20.4119	12.4763	7.0366	8.9397
Azerbaijan	(Manat)	6462.40o	3950.00	2227.74	2830.22
Azores	(Port Escudo)	297.107	181.600	102.422	130.123
Bahamas	(Bahama $)	1.6361	1	0.5640	0.7165
Bahrain	(Dinar)	0.6168	0.3770	0.2126	0.2701
Balearic Is	(Sp Peseta)	246.307	150.550	84.9102	107.875
Bangladesh	(Taka)	76.7492	46.3000	26.1132	33.1767
Barbados	(Barb $)	3.2906	2.0113	1.1343	1.4412
Belarus	(Rouble)	109942.8o	67300.0	37898.7	48151.3
Belgium	(Belg Fr)	59.8304	36.5700	20.6255	26.2036
Belize	(B $)	3.2721	2.0000	1.1280	1.4331
Benin	(CFA Fr)	972.710	594.550	335.326	426.018
Bermuda	(Bermudian $)	1.6361	1	0.5640	0.7165
Bhutan	(Ngultrum)	68.3828	41.7875	23.5738	29.9495
Bolivia	(Boliviano)	9.0147	5.5100	3.1076	3.9481
Botswana	(Pula)	6.4453	3.9393	2.2218	2.8227
Brazil	(Real)	1.8848	1.1521	0.6498	0.8255
Brunei	(Brunei $)	2.7784	1.6983	0.9578	1.2169
Bulgaria	(Lev)	2895.10	1769.60	998.026	1267.98
Burkina Faso	(CFA Fr)	972.710	594.550	335.326	426.018
Burma	(Kyat)	10.2281	6.2517	3.5259	4.4796
Burundi	(Burundi Fr)	652.850	399.040	225.052	285.927
Cambodia	(Riel)	5470.58	3355.00	2230.86	2833.91
Cameroon	(CFA Fr)	972.710	594.550	335.326	426.018
Canada	(Canadian $)	2.3884	1.4598	0.8234	1.0460
Canary Is	(Sp Peseta)	246.307	150.550	84.9102	107.875
Cp. Verde	(CV Escudo)	163.777	100.105	56.4578	71.7290
Cayman Is	(CI $)	1.3550	0.8282	0.4671	0.5934
Cent. Afr. Rep	(CFA Fr)	972.710	594.550	335.326	426.018
Chad	(CFA Fr)	972.710	594.550	335.326	426.018
Chile	(Chilean Peso)	745.630	455.750	257.043	326.562
China	(Yuan)	13.5455	8.2794	4.6696	5.9325
Colombia	(Col Peso)	2270.25	1387.66	782.634	994.304
Comoros	(Fr)	728.787	445.455	251.230	319.185
Congo	(CFA Fr)	972.710	594.550	335.326	426.018
Congo (DemRep)	(Zaire)(2)	217894.7	133000.0	75008.9	95293.5
Costa Rica	(Colon)	415.647	254.055	143.283	182.040
Côte d'Ivoire	(CFA Fr)	972.710	594.550	335.326	426.018
Croatia	(Kuna)	10.5388	6.4416	3.6331	4.6156
Cuba	(Cuban Peso)(1)	37.6292	23.0000	12.9716	16.4804
Cyprus	(Cyprus £)	0.8544	0.5222	0.2945	0.3742
Czech Rep	(Koruna)	54.0617	33.0440	18.6368	23.6773
Denmark	(Danish Krone)	11.0504	6.7543	3.8094	4.8397
Djibouti Rep	(Djib Fr)	290.758	177.720	100.231	127.343
Dominica	(E Carib $)	4.4174	2.7000	1.5228	1.9347
Dominican Rep	(D Peso)	24.4590	14.9500	8.4318	10.7122
Ecuador	(Sucre)	8425.66o	5150.00	2904.52	3690.17
	(Sucre)	8535.28s	5217.00	2942.30	3738.18
Egypt	(Egyptian £)	5.5945	3.4195	1.9285	2.4502
El Salvador	(Colon)	14.3236	8.7550	4.9377	6.2733
Equat'l Guinea	(CFA Fr)	972.710	594.550	335.326	426.018
Estonia	(Kroon)	23.2012	14.1812	7.9982	10.1614
Ethiopia	(Ethiopian Birr)	11.4115	6.9750	3.9338	4.9979
Falkland Is	(Falk £)	1	0.6112	0.3447	0.4380
Faroe Is	(Danish Krone)	11.0504	6.7543	3.8094	4.8397
Fiji Is	(Fiji $)	3.3220	2.0305	1.1452	1.4549
Finland	(Markka)	8.8151	5.3880	3.0388	3.8607
France	(Fr)	9.7271	5.9455	3.3533	4.2802
Fr. Cty/Africa	(CFA Fr)	972.710	594.550	335.326	426.018
Fr. Guiana	(Local Fr)	9.7271	5.9455	3.3533	4.2802
Fr. Pacific Is	(CFP Fr)	176.878	107.988	60.9041	77.3782
Gabon	(CFA Fr)	972.710	594.550	335.326	426.018
Gambia	(Dalasi)	16.6190	10.1580	5.7290	7.2786
Germany	(D-Mark)	2.9008	1.7731	1	1.2705
Ghana	(Cedi)	3818.55	2334.00	1316.38	1672.40

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6112	0.3447	0.4380
Greece	(Drachma)	492.059	300.760	169.629	215.506
Greenland	(Danish Krone)	11.0504	6.7543	3.8094	4.8397
Grenada	(E Carib $)	4.4174	2.7000	1.5228	1.9347
Guadeloupe	(French Fr)	9.7271	5.9455	3.3533	4.2802
Guam	(US $)	1.6361	1	0.5640	0.7165
Guatemala	(Quetzal)	10.2648	6.2741	3.5385	4.4956
Guinea	(Fr)	2009.07	1228.00	692.572	879.908
Guinea-Bissau	(CFA Fr)(3)	972.710	594.550	335.326	426.018
Guyana	(Guyanese $)	236.082	144.300	81.3829	103.396
Haiti	(Gourde)	27.7289	16.9487	9.5588	12.1444
Honduras	(Lempira)	21.7769	13.3100	7.5068	9.5371
Hong Kong	(HK $)	12.6789	7.7497	4.3708	5.5530
Hungary	(Forint)	347.803	212.485	119.830	152.239
Iceland	(Icelandic Krona)	116.046	70.9300	40.0045	50.8240
India	(Indian Rupee)	68.3828	41.7975	23.5738	29.9495
Indonesia	(Rupiah)	19080.1	11650.0	6570.60	8347.66
Iran	(Rial)	4908.15e	3000.00	1691.95	2149.61
Iraq	(Iraqi Dinar)	0.5087o	0.3109	0.1753	0.2228
Iraq	(Iraqi Dinar)	1963.28m	1200.00	676.781	859.845
Irish Rep	(Punt)	1.1489	0.7028	0.3964	0.5036
Israel	(Shekel)	5.9784	3.6530	2.0603	2.6175
Italy	(Lira)	2858.46	1745.95	984.716	1251.04
Jamaica	(Jamaican $)	58.8978	36.0000	20.3034	25.7954
Japan	(Yen)	226.327	138.560	78.7118	100
Jordan	(Jordanian Dinar)	1.1632	0.7110	0.4010	0.5095
Kazakhstan	(Tenge)	125.894	76.9500	43.3986	55.1376
Kenya	(Kenya Shilling)	99.8808	61.0500	34.4322	43.7448
Kiribati	(Australian $)	2.7234	1.6646	0.9388	1.1927
Korea North	(Won)	3.5993	2.2000	1.2408	1.5764
Korea South	(Won)	2281.47	1394.50	786.498	999.212
Kuwait	(Kuwaiti Dinar)	0.5009	0.3062	0.1727	0.2194
Laos	(New Kip)	3286.83	2009.00	1133.04	1439.52
Latvia	(Lats)	0.9982	0.6018	0.3337	0.4240
Lebanon	(Lebanese £)	2474.12	1512.25	852.909	1083.58
Lesotho	(Maluti)	8.4036	5.1365	2.8970	3.6805
Liberia	(Liberian $)	1.6361	1	0.5640	0.7165
Libya	(Libyan Dinar)	0.6274	0.3835	0.2163	0.2748
Liechtenstein	(Swiss Fr)	2.4120	1.4743	0.8315	1.0564
Lithuania	(Litas)	6.5448	4.0002	2.2561	2.8663
Luxembourg	(Lux Fr)	59.8304	36.5700	20.6255	26.2036
Macao	(Pataca)	13.0053	8.0045	4.5142	5.7353
Macedonia	(Denar)	89.8586	54.9247	30.9767	39.3558
Madagascar	(MG Fr)	8589.27	5250.00	2960.92	3761.82
Madeira	(Port Escudo)	297.107	181.600	102.422	130.123
Malawi	(Kwacha)	42.1709	25.7760	14.5373	18.4685
Malaysia	(Ringgit)	6.5201	3.9853	2.2477	2.8558
Maldive Is	(Rufiya)	19.2563	11.7700	6.6381	8.4337
Mali Rep	(CFA Fr)	972.710	594.550	335.326	426.018
Malta	(Maltese Lira)	0.6472	0.3919	0.2210	0.2808
Martinique	(Local Fr)	9.7271	5.9455	3.3533	4.2802
Mauritania	(Ouguiya)	290.228	177.395	100.051	127.110
Mauritius	(Maur Rupee)	39.0771	23.8850	13.4711	17.1145
Mexico	(Mexican Peso)	14.3245	8.7555	4.9381	6.2736
Moldova	(Leu)	7.7649	4.7400	2.6733	3.3964
Monaco	(French Fr)	9.7271	5.9455	3.3533	4.2802
Mongolia	(Tugrik)	1283.91	784.760	442.582	562.318
Montserrat	(E Carib $)	4.4174	2.7000	1.5228	1.9347
Morocco	(Dirham)	15.8216	9.6708	5.4541	6.9294
Mozambique	(Metical)	18808.4	11495.0	6483.00	8236.60
Namibia	(S A Rand)	8.4036	5.1365	2.8970	3.6805
Nauru Is	(Australian $)	2.7234	1.6646	0.9388	1.1927
Nepal	(Nepalese Rupee)	103.726	63.4000	35.7586	45.4285
Netherlands	(Guilder)	3.2660	1.9965	1.1271	1.4320
N'nd Antilles	(A/Guilder)	2.9285	1.7900	1.0095	1.2826
New Zealand	(NZ $)	3.1871	1.9480	1.0987	1.3958
Nicaragua	(Gold Cordoba)	17.1197	10.4640	5.9015	7.4979
Niger Rep	(CFA Fr)	972.710	594.550	335.326	426.018
Nigeria	(Naira)	35.8068o	21.8860	12.3434	15.6822
	(Naira)	148.226m	90.6000	51.0984	64.9183
Norway	(Nor. Krone)	12.1844	7.4475	4.2004	5.3364
Oman	(Rial Omani)	0.6299	0.3850	0.2171	0.2759

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(4)	72.7634	44.4750	25.0839	31.8680
Panama	(Balboa)	1.6361	1	0.5640	0.7165
Papua New Guinea	(Kina)	3.3909	2.0726	1.1689	1.4851
Paraguay	(Guarani)	4417.34	2700.00	1522.76	1934.65
Peru	(New Sol)	4.7315	2.8920	1.6311	2.0722
Philippines	(Peso)	64.0924	39.1750	22.0947	28.0704
Pitcairn Is	(£ Sterling)	1	0.6112	0.3447	0.4380
	(NZ $)	3.1871	1.9480	1.0987	1.3958
Poland	(Zloty)	5.6346	3.4440	1.9424	2.4678
Portugal	(Escudo)	297.107	181.600	102.422	130.123
Puerto Rico	(US $)	1.6361	1	0.5640	0.7165
Qatar	(Riyal)	5.9561	3.6405	2.0532	2.6086
Reunion Is. de la	(F Fr)	9.7271	5.9455	3.3533	4.2802
Romania	(Leu)	14029.1	8575.00	4836.30	6144.31
Russia	(Rouble)(5)	10.1733m	6.3815	3.4964	4.4293
Rwanda	(Fr)	503.282	307.620	173.493	220.421
St Christopher	(E Carib $)	4.4174	2.7000	1.5228	1.9347
St Helena	(£)	1	0.6112	0.3447	0.4380
St Lucia	(E Carib $)	4.4174	2.7000	1.5228	1.9347
St Pierre & Miquelon	(F Fr)	9.7271	5.9455	3.3533	4.2802
St Vincent	(E Carib $)	4.4174	2.7000	1.5228	1.9347
San Marino	(Italian Lira)	2858.46	1745.95	984.716	1251.04
Sao Tome	(Dobra)	3910.16	2390.00	1347.92	1712.53
Saudi Arabia	(Riyal)	6.1367	3.7510	2.1155	2.6877
Senegal	(CFA Fr)	972.710	594.550	335.326	426.018
Seychelles	(Rupee)	8.4339	5.1550	2.9073	3.6936
Sierra Leone	(Leone)	1480.63	905.000	510.405	648.457
Singapore	($)	2.7784	1.6983	0.9578	1.2169
Slovakia	(Koruna)	56.2656	34.3950	19.3931	24.6381
Slovenia	(Tolar)	272.658	166.595	93.9584	119.371
Solomon Is	($)	7.8479	4.7969	2.7054	3.4371
Somali Rep	(Shilling)	4286.45	2620.00	1477.64	1877.33
South Africa	(Rand)	8.4036	5.1365	2.8970	3.6805
Spain	(Peseta)	246.307	150.550	84.9102	107.875
Spanish Ports in N Africa	(Sp Peseta)	246.307	150.550	84.9102	107.875
Sri Lanka	(Rupee)	106.057	64.8250	36.5613	46.4498
Sudan Rep	(Dinar)	263.878	161.290	90.9650	115.570
Surinam	(Guilder)	656.058	401.000	226.158	287.332
Swaziland	(Lilangeni)	8.4036	5.1365	2.8970	3.6805
Sweden	(Krona)	12.7537	7.7954	4.3966	5.5857
Switzerland	(Fr)	2.4120	1.4743	0.8315	1.0564
Syria	(£)	65.4420	40.0000	22.5594	28.6615
Taiwan	($)	56.1247	34.3050	19.3480	24.5808
Tanzania	(Shilling)	1054.35	644.450	363.460	461.773
Thailand	(Baht)	70.8410	43.3000	24.4212	31.0261
Togo Rep	(CFA Fr)	972.710	594.550	335.326	426.018
Tonga Is	(Pa'anga)	2.7234	1.6646	0.9388	1.1927
Trinidad/Tobago	($)	10.1812	6.2230	3.5097	4.4590
Tunisia	(Dinar)	1.8822	1.1505	0.6489	0.8243
Turkey	(Lira)	422313.7	258130.0	145585.3	184958.9
Turks & Caicos	(US $)	1.6361	1	0.5640	0.7165
Tuvalu	(Australian $)	2.7234	1.6646	0.9388	1.1927
Uganda	(New Shilling)	1995.98	1220.00	688.061	874.170
Ukraine	(Hryvna)	3.3699	2.0598	1.1617	1.4759
U A E	(Dirham)	6.0091	3.6729	2.0715	2.6318
United Kingdom	(£)	1	0.6112	0.3447	0.4380
United States	(US $)	1.6361	1	0.5640	0.7165
Uruguay	(Peso Uruguayo)	17.0088	10.3960	5.8630	7.4494
Vanuatu	(Vatu)	208.188	127.250	71.7680	91.1784
Vatican	(Lira)	2856.46	1745.95	984.716	1251.04
Venezuela	(Bolivar)	881.831v	539.000	303.988	386.214
Vietnam	(Dong)	21244.9	12985.5	7323.61	9304.60
Virgin Is-British	(US $)	1.6361	1	0.5640	0.7165
Virgin Is-US	(US $)	1.6361	1	0.5640	0.7165
Western Samoa	(Tala)	4.8706	2.9770	1.6790	2.1331
Yemen (Rep of)	(Rial)	214.309r	130.990	73.8763	93.8588
Yugoslavia	(New Dinar)	17.4928	10.6921	6.0302	7.6613
Zambia	(Kwacha)	3130.78	1907.30	1075.83	1366.80
Zimbabwe	($)	29.4080	17.9750	10.1379	12.8796
ECU	(ECU)	1.4723	0.8999	0.5076	0.6448
SDR	(SDR)	1.22196	0.746246	0.421226	0.540405

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Franc (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 8% on 16/10/97 (5) Rouble rebased on 1/1/98. FT enquiries to Business Research Centre 0171 258 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times. Friday, June 5, 1998

هكذا من الاصل

MARKETS WEEK

June 8 - June 14

NEW YORK

By Richard Tomkins

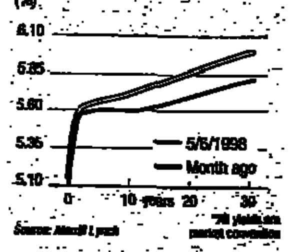
The main event affecting the performance of US markets this week is likely to be Wednesday's Congressional testimony by Alan Greenspan, chairman of the Federal Reserve.

Comments by Fed officials have indicated the Fed intends to hold back on any interest rate increases pending the stabilisation of Asian markets, but Mr Greenspan's testimony to the joint economic committee will be important in determining just how close the Fed is to firming monetary policy.

Recent economic data have shown that US consumer spending is strong and the labour market tight – factors that in other circumstances might have prompted a rise to pre-empt an acceleration of inflation. But investors believe the Fed will allow US growth to take place at a stronger rate than it would otherwise have permitted, to avoid hurting foreign markets and economies – hence Friday's leap in US equities, which left the Dow Jones Industrial Average above the 9,000 mark for the first time in nearly two weeks.

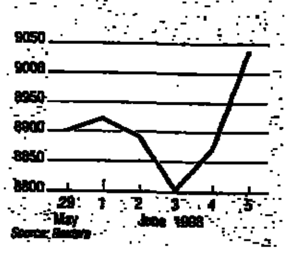
Notable statistics also due are the May retail sales figures, out on Thursday, and the May producer price report, out on Friday.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters

LONDON

By Philip Coggan

The release of industrial production figures for April could provoke some controversy after last week's surprise 0.25 per cent interest rate increase from the Bank of England's monetary policy committee. Manufacturing output is expected to be flat on the month and up only 0.4 per cent year-on-year, which will reinforce businesses' complaints about the timing of the rate rise.

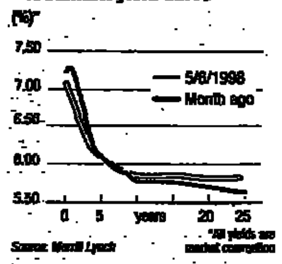
Similarly, the British Retail Consortium's May survey will be scrutinised for signs of weakness of high street demand; the pace of official retail sales growth has slowed of late.

The Bank is unlikely to be able to use today's release of producer prices data for May as justification for the move. The consensus forecast is for input prices (raw material costs) to be flat on the month and down 9 per cent year-on-year; output (factory gate) prices are expected to show only a 1 per cent annual rise.

Weak data might enrage industrialists but would reassure the markets that it was the last rise in the cycle.

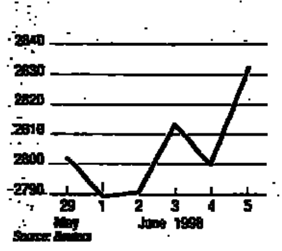
The minutes of May's MPC meeting will be released on Wednesday and may give some clues as to why the Bank moved last week.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share index



Source: Reuters

FRANKFURT

By Andrew Fisher

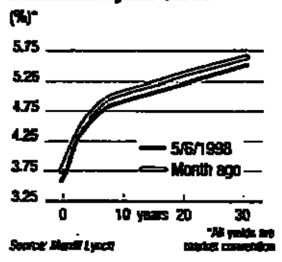
The German stock market continues on its record-breaking path, with the next barrier for the Dax blue chip index standing at 5,800 points after the 5,700 level was breached on Friday. Strong first quarter economic growth figures helped the market, with capital investment driving it rather than exports.

The continued wave of corporate activity is expected to keep equities buoyant, the latest excitement being provided by Volkswagen's triumph over BMW in the battle to buy Rolls-Royce Motor Cars. The high volumes of liquidity pouring into European shares have provided an added impetus. These reflect uncertainties in Asian and other emerging markets and the relative slowdown in the US stock market.

In the view of Hypo-Research, the German market is now robust enough to overcome the weakening of the dollar. As long as the US currency stays between DM1.75 and DM1.78, it should not depress the market.

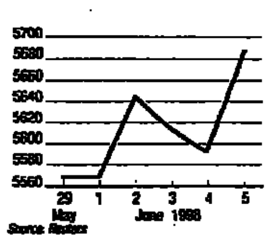
But if it drops below DM1.75 for too long, the risk of a strong correction in the Dax - up 35 per cent so far this year - would increase, Hypo said.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index



Source: Reuters

TOKYO

By Michiyo Nakamoto

Last week, Tokyo was depressed by profit-taking pressure and concerns about the weak economy, particularly the problems of the banking sector.

This week analysts believe the Nikkei will not only find it difficult to break through the ceiling of 15,550 but will test its lows.

There is mounting evidence that things are not getting any better. The failure of Mitsui Wharf last week, for example, triggered concerns about the health of related financial institutions.

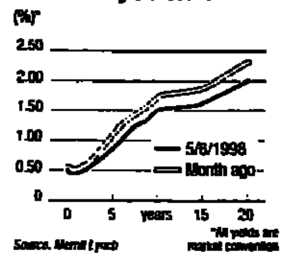
Consumption also remains under pressure, with household spending in April worse than expected at 2.1 per cent down from a year earlier.

Against this background corporations have been unwinding their cross-shareholdings, a trend which is expected to keep a cap on any upward move of the Nikkei.

Economic statistics being released will provide further indications of the dire state of the Japanese economy. These include the wholesale price index for May and the gross domestic product data for the first quarter on Friday.

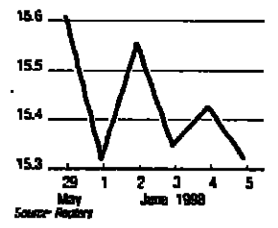
In particular, growing signs of the weakness of the banks could trigger a further sell-off of banking issues.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

COMPANIES DIARY

EDITED BY MARTIN BRICE

Engineers report against backdrop of UK rate rise

This week's increase in UK interest rates may provide an interesting backdrop to the series of results due out this week. Comments on the rate rise from manufacturing exporters are likely to be somewhat acidic in tone as they have suffered the effects of strong sterling. Although sterling strengthened on news of the rate rise, the possibility that it may mark the top of the interest rate cycle in the UK may lend some support to shares in engineers with overseas earnings. In the FTSE 100, British Land results may show the benefit of its exposure to from the strong growth in central London office rents.

TODAY

● Results from 600 Group are likely to show that the UK's biggest machine tool maker has suffered from the strong pound. However, the currency changes will have been offset by the company's distribution operations in which it imports tool parts and similar equipment. Investors will also be keen for news of progress in the difficult markets of south-east Asia where the 600 Group has been trying to build up business, and the degree of demand for a new laser cutting machine it launched last month. Analysts' forecasts suggest profits of £10m-£11m ($16m-$18m), about the same as last time.

● Figures from British Land are likely to show the best net asset value uplift for four years and should provide an impetus to both its own shares and others in the sector, says research from BT Alex Brown. Robin White at the broker has told clients that the results should provide "solid support for the share price which is close to its lowest rating for 18 months. The company, with one of the best track records of the majors and exposure to key growth sectors, remains our favoured play on the continued strength in the UK property market". The broker expects a rise in underlying profits from £90.2m to £100.4m and an increase in NAV from 478p to 609p.

● Electrocomponents is likely to unveil final results about 6.5 per cent ahead at £119.5m, according to a consensus of forecasts from First Call, the estimates service. The figure will probably be affected by the costs of expansion and a slowing of demand in the UK.

TUESDAY

● Great Portland Estates will probably show the positive effects of strength in central London property although its portfolio of provincial offices may drag on the growth in the figures. First Call, the financial information company, suggests an increase of about 10 per cent to £50m pre-tax.

● Yates Brothers Wine Lodges is likely to emphasise investor interest in smaller pubs groups when it announces a set of strong results. Recent announcements of bid approaches by Vaux and Ushers of Trowbridge have focused attention on the lowly ratings suffered by regional brewers in contrast to the much higher ratings of pubs groups. Yates expected 29 per cent increase to about £12m should provide further evidence of strength in the sector.

WEDNESDAY

● When Meyer International reports final figures, "the focus will be how the company is progressing with bedding in Harcros, the builders merchant it bought last year from Harrison Crosfield", said Clyde Lewis of HSBC Securities. The purchase made the Meyer subsidiary Jewson, the biggest builders merchant in the UK, and was the first big step in an anticipated consolidation of this fragmented business. Meyer paid a steep multiple of 0.75 times sales, so analysts hope the results will provide a pay-back. A consensus from First Call suggests an underlying increase of 20 per cent, about £53.8m.

● Granada Group may have some news on disposals when it announces interim figures. More disposals, following the sale of the Savoy stake, may help the shares further after their 25 per cent outperformance since February. Analysts expect the company to report pre-tax profits of between £264m and £275m, up from £243m.

● Scottish Hydro-Electric may have some details of any financial compensation to be received following the discovery of a fault at the station in Keadby, England. There should be confirmation that the project to replace the power station at Peterhead, which uses gas, will not be affected by the moratorium on new gas power stations. First Call suggests a pre-tax result of £215m, up from £200m.

● Expro International, the oil services group that floated at 175p in 1995 and is now trading at about 590p a share, may have an update on prospects following its alliance to increase its penetration in the deepwater Gulf of Mexico. Analysts expect a pre-tax figure of about £23.6m (£17.8m).

THURSDAY

● Johnson Mathey is forecast to show a 12 per cent advance in full-year earnings, with pre-tax profits up from £108m to £122m. The second half has been challenging for precious metals marketing and ceramics, but catalytic systems and semiconductor packaging should have done well. There are mixed expectations about the outlook for 1999: the Asian crisis has hit demand for platinum and semiconductor packaging, but prices and margins are holding up so far. The share price rallied recently on platinum price rises, but longer-term questions remain about how much Asia will affect computer and platinum demand, and the outlook for the Intel Pentium II chip.

FRIDAY

● Results from London Clubs International are unlikely to be a big surprise because it issued a profits warning in April which highlighted weak attendances by wealthy gamblers, particularly from Asia.

The company may also have something to add to its opposition to the changes to gaming tax announced in the March Budget, which hit the company's share price severely.

BT Alex Brown forecasts a 22 per cent fall to £27.5m pre-tax. Jason Holden at the broker has told clients: "Once the market can re-focus on the long-term attractions of this business, a share price of 200p should provide a floor. However, until the continued negative newsflow washes out, sustained outperformance is unlikely."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Nations Bank Corp†	800	Jul 2003	(a)	99.88R	-	-	Merrill Lynch
Key Bank National Assoc‡	500	Jan 2003	(b)	100.012R	-	-	Morgan Stanley DW
British Gas Finance(c)★#	300	Jun 2018	6.625	99.528R	6.67	+89(6⅛Nov27)	CSFB
BNG	250	Jun 1999	8.00	94.625	-	+18(May 99)	Nomura Intl
Fannie Mae(f)★#	3.5bn	Jun 2005	5.75	99.492R	5.84	+21(6½May05)	Merrill Lynch
PNC Bank National Assoc‡	300	Jul 2003	(h)	99.925R	-	-	ABN Amro
Westpac Sec Class A(g)‡	1.3bn	Sep 2001	(n)	100.00	-	-	JP Morgan
The Russian Federation#	1.25bn	Jun 2003	11.75	98.79R	12.08	+650(6½May03)	Goldman Sachs
Finova Capital Corp‡	250	Jun 2003	(t)	99.739R	-	-	ABN Amro
Merrill Lynch and Co‡	300	Jun 2005	(x)	99.55R	-	-	Merrill Lynch
Government of Jamaica#	250	Jun 2005	10.625	99.976R	10.83	+525(6½May05)	Citibank International
D-MARKS							
Bank of Nova Scotia‡	400	Jun 2001	(d)	100.049R	-	-	CSFB
Deutsche Bahn Finance	1.5bn	Jun 2008	5.00	98.186R	5.166	+25(5¼Jan08)	DG Bank/West LB
Commerzbank	1bn	Jun 2008	(l)	100.09	-	-	Commerzbank
Suedwest LB	150	Jul 2000	9.00(l)	99.75	-	-	HSBC Trinkaus
GECC (z)	100	Jun 2003	4.50	99.625R	4.585	+10(5Nov02)	SBC Warburg DR
BBV Int Finance	500	Jun 2008	5.00	98.66R	5.175	+30½(Jan08)	Societe Generale
STERLING							
European Inv'ment Bank(k)	200	Dec 2008	6.250	102.419R	-	+16 (8Dec08)	Barclays/SBCWDR
BBBS(m)	125	Jun 2023	6.625	98.568R	6.745	+102(8Jun21)	Barclays/SBCWDR
Depfa Bank	150	Jun 2000	7.00(l)	99.59R	7.27	+56 (8Dec00)	HSBC Markets
FRENCH FRANCS							
Sun America Inst Fndg Nol	1.5bn	Jul 2004	4.875	99.85R	4.937	+34(l)	CDC Marches
Merrill Lynch and Co	1.5bn	Jun 2010	5.375	99.12R	5.477	+49(l)	Merrill Lynch
Danncom Group	1bn	Jun 2005	5.20	99.822R	5.231	+55(l)	Morgan Stanley
BBV Int Finance	1.2bn	Jun 2008	5.00	98.66R	5.175	+25(Jan08)	Societe Generale
YEN							
Inter-American Dev Bk(w)★	13bn	Jun 2001	5.00(s)	99.98	-	-	Nomura
ITALIAN LIRE							
Ambroveneto Intl Bank‡	600bn	Jun 2008	(q)	99.735R	-	-	Caboto/Deutsche Bank
Depfa Bank Europe‡	100bn	Dec 2001	(t)	101.375	-	-	Credito Italiano
CAP‡	200bn	Jun 2001	(u)	99.93	-	-	JP Morgan
SWISS FRANCS							
Rhein-Hypo Bank(t)‡	100	Apr 2001	(t1)	100.00	-	-	Merrill Lynch
GUILDERS							
SR Bank	300	Jun 2008	5.25	99.642R	5.297	+40(l)	ABN Amro
EUROS(e)							
Lafarge	500	Jun 2006	5.125	99.43R	5.214	+40 (l)	Paribas
SGA/MS	100	Jun 2000	10.0(p)	99.80R	-	-	Caboto Holding
European Investment Bank(A)	280	Apr 2004	5.25	103.04R	-	-5bp(6Apr04)	Daiwa Europe
Hellenic Republic(B)	500	Mar 2008	5.75	100.85R	-	+68(5¼Apr08)	CSFB/Paribas/Swiss Bk
AUSTRALIAN DOLLARS							
Bayerische Landesbank	100	Jul 2003	5.250	101.155	-	-	TD Securities
NEW ZEALAND DOLLARS							
Commerzbank	100	Jun 2000	7.75(l)	100.675	-	-	TD Securities
Suedwest LB	100	Jul 2000	8.00	100.94	7.477	+53(l)	RBC Dominion Securities
LUXEMBOURG FRANCS							
BBL International(l)	2bn	Jul 2000	10.5	102.00	9.36	-	Credit Europe'en-SBL
Suedwest LB (s)	3bn	Jun 2000	9.50	102.17	-	-	BGL
GREEK DRACHMA							
Halifax	10bn	Jun 2001	(o)	99.95R	-	-	Bank of America
Creditop Overseas Bank‡	10bn	Jun 2002	(e)	99.90R	-	-	SBC Warburg DR
Province of Ontario	10bn	Jun 2001	(C)	99.67R	-	-	Salomon Smith Barney
SWEDISH KRONOR							
Province of Quebec	500	Jul 2004	5.25	101.95	4.867	+36(l)	BIL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) 3-mth Libor+7.½bp. b) 3-mth Libor +6¾bp c) Callable at par or treasury plus 20bp. d) 3-mth Libor flat. e) Payments in Ecu prior to Emu. f) Redeemed at par or 100 France Telecom Shares per LFr200k bond. g) 3-mth Libor +62½bp h) 3-mth Libor +6¾bp. l) Over interpolated yield. j) 4.9% for yr 1, then linked to Rex 10 year yield. k) Fungible with £500m. Plus 142 days accrued. l) Long 1st coupon. m) Bradford and Bingley Building Society. n) 3-mth Libor +45bp. o) Redeemed at par or 35 Deutsche Bank Shares per LFr100k bond. p) 9.25% to Jan 99 then steps down to 8%. q) Legal Maturity July 2029; av life 3.3yrs. Class B: $32m, 3-mth Libor +28bp, av life 6.7yrs. r) 3-mth Libor +14bp. t) 3-mth Libor +25bp. s) Short 1st coupon. t) Fungible with SFr150m. t1) 3-mth Libor flat. u) 3-th Alibid -75bp. v) Redeemed at par or Novartis shs if price falls below SFr 2,288. w) monthly x) 3-mth Libor +15bp. y) 6-mth Libor +10bp to 29/12/01, then 6-mth Libor +110bp. Short last coupon. z) Fungible with DM300m. A) Fungible with E1.3bn. Plus 57 days accrued. B) Fungible with E1.5bn. Plus 72 days accrued. C) 3-mth Alibid -75bp. Note: Yields are calculated on ISMA basis.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§90	F.P.	17.2	102½	98½	†Ambient Media	90		-	-	-	-
-	F.P	-	67	59	Ascot B	62		-	-	-	-
-	F.P	219.0	40	38	BTR Red Prf B	37½		4.75	-	15.8	-
4	F.P.	1.11	5¼	5	†Captain O.M. Watts	5¼		-	-	-	-
-	F.P.	33.4	166½	147½	City North Grp	154		R2.2	1.6	1.8	45.0
-	F.P.	1,296	823½	720	Computacenter	757		L1.8	11.0	0.3	38.2
§30	F.P	18.3	32½	23½	†Dimension Res	24½		-	-	-	-
-	F.P.	25.1	101½	100	Dresdner RCM Endow	100½		-	-	-	-
•	F.P.	14.3	95	95	Elderstreet Dom VCT	95		-	-	-	-
§220	F.P.	149.5	242½	223½	Estonair Props	238		-	-	-	-
-	F.P	20.1	21	18½	GRE Red Prf B	20		-	-	-	-
-	F.P.	160.9	231½	212½	Gaws	218	-12	L2.64	3.0	1.5	27.6
-	F.P.	0.48	25	22	Hamleys B	22		-	-	-	-
§180	F.P.	50.4	294½	182½	ICM Computer	264½		L2.63	2.6	1.2	38.7
§325	F.P.	22.0	400	330	†Inter-Alliance	400		-	-	-	-
§103	F.P.	30.5	180½	114½	JNE Telecom	157½	+2½	M1.54	3.8	1.2	25.4
-	F.P.	18.0	97½	95½	†James R Knowles	95½	-1	LG3.2	-	3.4	-
-	F.P.	3.71	13	12	Multi Equip Rent	13		-	-	-	14.2
•	F.P.	-	100	100	Paradise Orwig VCT	100		-	-	-	-
-	F.P.	58.2	155½	142½	Ocsmitco	149½	-1	-	-	-	25.2
-	F.P.	-	140½	130½	Taiwan IT GDR	131½		-	-	-	-
§250	F.P	152.9	240½	203½	Taylor & Francis	236½		L3.0	2.4	1.6	29.1
§170	F.P.	1,805	200	176	Thomson Travel	188½	-2	W2.8	2.9	1.5	23.1

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
350	Nil	6/6	107½pm	62½pm	Ask Central	107½pm	
225	Nil	26/6	12pm	12pm	Hardy Oil & Gas	12pm	
10	Nil	9/6	2½pm	½pm	John Lusty	½pm	
1	Nil	11/6	1pm	½pm	Silver Shield	½pm	

pm premium.

FTSE GOLD MINES INDEX

	Jun 5	% chg since 31/12/97	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1039.38	-1.8	38.63	100.00	2.27	-	1569.71	891.23
■ Regional Indices								
Africa (14)	1131.91	+2.5	7.85	25.82	4.72	25.28	1744.92	921.78
Australasia (7)	1156.30	+0.0	2.87	9.69	2.77	17.41	1757.50	933.63
North America (10)	1002.91	-3.7	19.81	64.89	1.23	42.99	1574.16	864.86

Copyright, FTSE International Limited 1998. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. CONSTITUENT CHANGE DURING THE WEEK ENDING 5/6/98: Deletion: Amax Gold (North America).

STOCK INDICES

	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5947.3	5960.9	5880.4	5942.8	5937.9	6105.8	5068.6	6105.8	986.9
FTSE 250	5994.6	5921.6	5930.4	5897.6	5888.9	5934.9	4789.2	5934.8	1379.4
FTSE 250 ex IT	6007.5	5987.4	5961.4	5966.5	5967.8	6007.4	4808.3	5987.4	1378.3
FTSE 350	2897.7	2852.5	2877.2	2853.0	2851.4	2923.3	2444.7	3540.4	664.5
FTSE SmallCap	2775.34	2767.32	2769.05	2762.54	2761.81	2792.73	2320.18	2792.73	1363.79
FTSE SmallCap ex IT	2785.25	2778.12	2777.33	2770.44	2769.88	5654.10	2318.19	5554.30	1363.79
FTSE All-Share	2832.79	2800.01	2813.50	2790.99	2780.45	2847.07	2389.32	2847.87	61.92
FTSE Fledgling	1508.06	1505.61	1505.92	1501.84	1502.33	1511.83	1265.77	1511.83	31.14
FTSE Eurotop 100	2872.48	2819.70	2845.00	2820.31	2811.91	2828.86	2236.40	2828.88	2044.47
FTSE Eurotop 300	1251.23	1231.18	1241.21	1231.28	1227.43	1283.83	971.93	1283.83	874.08
FT 30	3901.8	3852.9	3858.8	3830.3	3820.0	3920.3	3235.4	3920.3	49.40
FT Govt Securities	105.37	105.24	105.65	105.89	105.89	105.89	93.31	141.84	49.18
FT Fixed Interest	144.07	143.73	143.87	143.96	144.06	144.06	115.32	144.06	50.53
FTSE Gold Mines	1039.38	1060.94	1056.54	1035.17	1067.12	1361.87	929.38	2074.81	903.02

Yen under pressure

By Susanna Voyle

The yen is expected to come under increased pressure this week with the markets increasingly sceptical that anyone is going to ride to the rescue of the flagging Japanese currency.

Hopes of a strong message in support of the yen from this week's meeting of the Group of Seven leading industrialised nations faded at the end of last week.

Analysts said they thought the G7 deputies meeting in Paris would spend most of their time discussing nuclear proliferation in India and Pakistan and the economic troubles in Russia. The two-day meeting is due to start tomorrow.

Nick Parsons, at Paribas Capital Markets in London, said without any significant news on Japan from G7 the yen would come under further pressure. Japanese trade figures due this week, which are likely to show increased weakness in domestic demand, would exacerbate the trend.

He said the dollar – which closed in London on Friday at Y139.56 – could reach $142.05. Meanwhile the D-Mark could rise above Y80, after Friday's close of Y78.71 – with a double boost from the yen's weakness and any G7 help announced for Russia.

"I find it difficult to see how the yen will be near the top of the G7 agenda at all," said Mr Parsons.

Robin Marshall, at Chase in London, said the market thought the Bank of Japan would continue to pursue a policy "which can best be described as benign neglect". In those circumstances it was very unlikely the G7 meeting would produce anything that would change sentiment over the yen.

"Policy in Japan is paralysed until the elections to the upper house on July 10," he said. "And to be honest it's not clear if there will be any change afterwards. In the absence of any sign of any strong resistance the market is pushing on an open door."

POUND SPOT FORWARD AGAINST THE POUND

Jun 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.4119	+0.0282	003 - 234	20.4634	20.2966	20.3445	4.0	20.212	3.9	19.7026	3.5	103.3
Belgium	(BFr)	59.8304	+0.0795	812 - 795	59.9680	59.4970	59.6323	4.0	59.2415	3.9	57.7407	3.5	102.8
Denmark	(DKr)	11.0504	+0.0136	457 - 550	11.0756	10.9913	11.0182	3.5	10.9527	3.5	10.6977	3.2	105.3
Finland	(FM)	8.8151	+0.0113	085 - 216	8.8370	8.7820	8.7866	3.8	8.7306	3.8	8.5148	3.4	81.2
France	(FFr)	9.7271	+0.0134	236 - 306	9.7497	9.6872	9.6944	4.0	9.6297	4.0	9.3845	3.5	108.2
Germany	(DM)	2.9008	+0.0099	993 - 023	2.9091	2.8879	2.8909	4.1	2.8716	4.0	2.799	3.5	104.5
Greece	(Dr)	492.059	-0.116	514 - 603	493.577	490.864	494.251	-5.3	498.058	-4.9	508.978	-3.4	81.2
Ireland	(I£)	1.1499	+0.0017	488 - 510	1.1519	1.1444	1.1489	1.0	1.1468	1.0	1.1256	2.1	85.3
Italy	(L)	2858.46	+2.84	445 - 847	2862.87	2842.96	2851.8	2.0	2839.67	2.4	2773.14	2.9	76.3
Luxembourg	(LFr)	59.8304	+0.0795	812 - 785	59.9680	59.4970	59.6323	4.0	59.2415	3.9	57.7407	3.5	102.8
Netherlands	(Fl)	3.2696	+0.005	679 - 712	3.2783	3.2556	3.2585	4.1	3.2396	4.0	3.1542	3.5	103.2
Norway	(NKr)	12.1844	-0.0198	803 - 885	12.2403	12.1537	12.1524	3.1	12.0937	3.0	11.8739	2.5	98.8
Portugal	(Es)	297.107	+0.422	943 - 270	297.829	295.608	296.326	3.2	294.881	3.3	287.377	3.3	92.8
Spain	(Pta)	246.307	+0.285	158 - 457	246.940	245.400	245.688	3.2	244.341	3.2	238.386	3.2	77.1
Sweden	(SKr)	12.7537	+0.0371	461 - 613	12.7674	12.6591	12.7195	3.2	12.6493	3.3	12.3628	3.1	86.0
Switzerland	(SFr)	2.4120	+0.0032	105 - 135	2.4183	2.4006	2.401	5.5	2.3778	5.6	2.2847	5.3	108.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.6
Ecu	-	1.4723	+0.0018	715 - 730	1.4751	1.4648	1.4682	3.3	1.46	3.3	1.4253	3.2	-
SDR†	-	1.221980	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6351	-0.0072	346 - 355	1.6392	1.6323	-	-	-	-	-	-	-
Brazil	(R$)	1.8848	-0.0081	842 - 854	1.8884	1.8803	-	-	-	-	-	-	-
Canada	(C$)	2.3884	-0.0011	873 - 895	2.3935	2.3790	2.383	2.7	2.3729	2.6	2.335	2.2	81.1
Mexico	(New Peso)	14.3245	-0.1172	164 - 326	14.3521	14.2636	14.4714	-12.3	14.7863	-12.9	16.2076	-13.1	-
USA	($)	1.6361	-0.0064	356 - 365	1.6395	1.6325	1.6335	1.9	1.6283	1.9	1.6087	1.7	111.7
Pacific/Middle East/Africa													
Australia	(A$)	2.7234	+0.0481	215 - 252	2.7263	2.6825	2.7183	2.2	2.7087	2.2	2.6664	2.1	80.8
Hong Kong	(HK$)	12.6789	-0.0494	746 - 832	12.7045	12.6527	12.6839	-0.5	12.7137	-1.1	13.0172	-2.7	-
India	(Rs)	68.3828	-0.2855	599 - 057	68.5238	68.3380	-	-	-	-	-	-	-
Israel	(Shk)	5.9764	-0.0188	696 - 832	5.9838	5.9684	-	-	-	-	-	-	-
Japan	(Y)	228.327	+1.276	183 - 472	228.940	226.410	226.987	7.0	224.247	7.1	212.842	6.8	110.8
Malaysia	(M$)	6.5201	-0.0006	105 - 296	6.5594	6.3578	6.6649	-26.6	6.8798	-22.1	7.3357	-12.5	-
New Zealand	(NZ$)	3.1871	+0.063	840 - 901	3.1901	3.1420	3.1908	-1.4	3.1973	-1.3	3.218	-1.0	93.6
Philippines	(Peso)	64.0924	-0.0473	066 - 781	64.4790	63.7055	64.5091	-7.8	65.5128	-8.9	70.0262	-9.3	-
Saudi Arabia	(SR)	6.1367	-0.0244	348 - 386	6.1494	6.1240	6.1289	1.5	6.1137	1.5	6.0585	1.3	-
Singapore	(S$)	2.7784	+0.0078	764 - 804	2.7887	2.7591	2.7813	-1.3	2.783	-0.7	2.8042	-0.9	-
South Africa	(R)	8.4036	+0.0022	988 - 083	8.4176	8.3906	8.4734	-10.0	8.5801	-8.4	8.9795	-6.8	-
South Korea	(Won)	2281.47	-5.71	839 - 455	2287.83	2277.97	-	-	-	-	-	-	-
Taiwan	(T$)	56.1247	-0.1211	684 - 810	56.2201	55.9310	56.2386	-2.4	56.3781	-1.8	56.8721	-1.3	-
Thailand	(Bt)	70.8410	+0.3777	579 - 241	71.0270	69.5910	73.6676	-47.9	76.7722	-33.6	84.7335	-19.6	-

† Rates for Jun 4. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates posted in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 5		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.4763	+0.0661	727 - 799	12.5070	12.4085	12.4551	2.0	12.4133	2.0	12.2483	1.8	103.2
Belgium	(BFr)	36.5700	+0.192	500 - 900	36.6620	36.3740	36.5075	2.1	36.3835	2.0	35.695	1.8	102.8
Denmark	(DKr)	6.7543	+0.0348	533 - 553	6.7716	6.7289	6.7454	1.6	6.7267	1.6	6.6503	1.5	104.9
Finland	(FM)	5.3980	+0.028	855 - 905	5.4026	5.3899	5.3793	1.9	5.3619	1.9	5.2932	1.8	81.0
France	(FFr)	5.9455	+0.0315	450 - 460	5.9610	5.9245	5.9351	2.1	5.9142	2.1	5.834	1.9	105.0
Germany	(DM)	1.7731	+0.0084	726 - 735	1.7783	1.7663	1.7699	2.2	1.7636	2.1	1.7401	1.9	104.2
Greece	(Dr)	300.760	+1.11	510 - 010	301.450	298.880	302.585	-7.3	305.885	-6.8	316.41	-5.2	81.1
Ireland	(I£)	1.4228	-0.0077	218 - 238	1.4275	1.4199	1.4217	0.9	1.4197	0.9	1.4291	-0.4	-
Italy	(L)	1745.95	+8.65	520 - 670	1750.75	1738.80	1745.9	0.0	1744	0.4	1723.95	1.3	76.2
Luxembourg	(LFr)	36.5700	+0.192	500 - 900	36.6620	36.3740	36.5075	2.1	36.3835	2.0	35.885	1.8	102.9
Netherlands	(Fl)	1.9985	+0.0108	980 - 989	2.0039	1.9906	1.9949	2.2	1.9878	2.1	1.9608	1.9	102.2
Norway	(NKr)	7.4475	+0.0172	470 - 479	7.4856	7.4282	7.4398	1.2	7.4274	1.1	7.3815	0.9	96.0
Portugal	(Es)	181.600	+0.97	550 - 650	181.950	181.107	181.414	1.2	180.958	1.4	178.65	1.6	92.7
Spain	(Pta)	150.550	+0.765	500 - 600	150.880	150.069	150.395	1.2	150.064	1.3	148.195	1.6	77.0
Sweden	(SKr)	7.7954	+0.0532	929 - 979	7.8043	7.7397	7.787	1.3	7.7686	1.4	7.6854	1.4	86.2
Switzerland	(SFr)	1.4743	+0.0078	738 - 748	1.4785	1.4679	1.4699	3.5	1.4605	3.8	1.4204	3.7	105.2
UK	(£)	1.6361	-0.0064	356 - 365	1.6395	1.6326	1.6335	1.9	1.6283	1.9	1.6087	1.7	103.1
Ecu	-	1.1113	-0.0057	110 - 115	1.1165	1.1085	1.1126	-1.4	1.1153	-1.4	1.1286	-1.8	-
SDR†	-	0.746240	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	-0.0005	994 - 994	0.9994	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.1521	+0.0008	520 - 521	1.1521	1.1512	-	-	-	-	-	-	-
Canada	(C$)	1.4599	+0.0051	595 - 601	1.4605	1.4551	1.4589	0.8	1.4573	0.7	1.4516	0.6	81.9
Mexico	(New Peso)	8.7555	-0.037	530 - 580	8.7820	8.7530	8.8595	-14.3	9.061	-14.9	10.0755	-15.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	111.9
Pacific/Middle East/Africa													
Australia	(A$)	1.6646	+0.0358	639 - 653	1.6658	1.6404	1.6638	0.6	1.6612	0.8	1.6505	0.8	81.6
Hong Kong	(HK$)	7.7497	+0.0003	492 - 502	7.7507	7.7480	7.7652	-2.4	7.8082	-3.0	8.0922	-4.4	-
India	(Rs)	41.7975	+0.0025	950 - 000	41.8000	41.7920	-	-	-	-	-	-	-
Israel	(Shk)	3.6530	+0.003	498 - 561	3.6566	3.6488	-	-	-	-	-	-	-
Japan	(Y)	139.560	+1.325	510 - 610	139.940	138.430	138.985	5.1	137.725	5.3	132.315	5.2	112.8
Malaysia	(M$)	3.9853	+0.0153	805 - 900	4.0050	3.8850	4.0803	-28.6	4.2253	-24.1	4.5603	-14.4	-
New Zealand	(NZ$)	1.9480	+0.048	467 - 493	1.9493	1.9194	1.9511	-1.9	1.9565	-1.7	1.9753	-1.4	-
Philippines	(Peso)	39.1750	+0.135	500 - 000	39.4000	38.9500	39.493	-9.7	40.235	-10.8	43.532	-11.1	-
Saudi Arabia	(SR)	3.7510	-0.0001	507 - 512	3.7515	3.7507	3.7523	-0.4	3.7548	-0.4	3.767	-0.4	-
Singapore	(S$)	1.6983	+0.0115	975 - 990	1.7045	1.6850	1.7028	-3.2	1.7093	-2.6	1.7433	-2.6	-
South Africa	(R)	5.1365	+0.0215	350 - 380	5.1380	5.1130	5.1875	-11.9	5.2695	-10.4	5.5815	-8.7	-
South Korea	(Won)	1394.50	+2	300 - 600	1399.00	1393.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.3050	+0.061	800 - 300	34.3300	34.1960	34.43	-4.4	34.625	-3.7	35.355	-3.1	-
Thailand	(Bt)	43.3000	+0.4	000 - 000	43.9800	42.1600	45.1	-49.9	47.15	-35.6	52.675	-21.7	-

† SDR rate per $ for Jun 4. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 4. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Pound table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 5		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.47	16.26	4.849	1.922	4774	5.465	20.37	496.6	411.7	21.32	4.031	1.671	3.992	2.734	381.6	2.461
Denmark	(DKr)	54.14	10	8.803	2.625	1.041	2585	2.959	11.03	268.9	222.9	11.54	2.183	0.905	2.161	1.481	206.6	1.332
France	(FFr)	61.51	11.36	10	2.982	1.182	2937	3.361	12.53	305.4	253.2	13.11	2.480	1.028	2.455	1.682	234.7	1.514
Germany	(DM)	20.62	3.809	3.353	1	0.396	984.7	1.127	4.200	102.4	84.91	4.396	0.831	0.345	0.823	0.564	78.71	0.508
Ireland	(I£)	52.03	9.610	8.459	2.523	1	2484	2.843	10.60	258.4	214.2	11.09	2.098	0.870	2.077	1.423	198.6	1.280
Italy	(L)	2.095	0.387	0.341	0.102	0.040	100	0.114	0.427	10.40	8.623	0.446	0.084	0.035	0.084	0.057	7.993	0.052
Netherlands	(Fl)	18.30	3.380	2.975	0.887	0.352	873.6	1	3.727	90.87	75.33	3.901	0.738	0.306	0.731	0.500	69.83	0.450
Norway	(NKr)	49.10	9.069	7.983	2.381	0.944	2344	2.683	10	243.8	202.1	10.47	1.980	0.821	1.960	1.343	187.4	1.208
Portugal	(Es)	20.14	3.719	3.274	0.976	0.387	961.4	1.101	4.101	100	82.90	4.293	0.812	0.337	0.804	0.551	76.85	0.496
Spain	(Pta)	24.29	4.486	3.949	1.178	0.467	1160	1.327	4.947	120.6	100	5.178	0.979	0.406	0.970	0.664	92.70	0.598
Sweden	(SKr)	46.91	8.664	7.627	2.275	0.902	2240	2.564	9.554	233.0	193.1	10	1.891	0.784	1.873	1.283	179.0	1.154
Switzerland	(SFr)	24.81	4.581	4.033	1.203	0.477	1184	1.356	5.052	123.2	102.1	5.288	1	0.415	0.990	0.678	94.66	0.610
UK	(£)	59.83	11.05	9.727	2.901	1.150	2857	3.270	12.18	297.1	246.3	12.75	2.412	1	2.388	1.636	228.3	1.472
Canada	(C$)	25.05	4.627	4.073	1.215	0.481	1196	1.369	5.101	124.4	103.1	5.340	1.010	0.419	1	0.685	95.60	0.616
USA	($)	36.57	6.754	5.946	1.773	0.703	1746	1.999	7.448	181.6	150.6	7.795	1.474	0.611	1.460	1	139.6	0.900
Japan	(Y)	26.20	4.840	4.260	1.271	0.504	1251	1.432	5.336	130.1	107.9	5.586	1.056	0.438	1.046	0.717	100	0.645
Ecu	–	40.64	7.506	6.607	1.970	0.781	1940	2.221	8.276	201.8	167.3	8.663	1.638	0.679	1.622	1.111	155.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.5664	0.5636	-0.0035	0.5665	0.5625	24,839	115,350
Sep	0.5695	0.5666	-0.0035	0.5695	0.5657	8,108	22,438
Dec	0.5695	0.5694	-0.0035	0.5697	0.5690	71	374

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.6815	0.6775	-0.0042	0.6820	0.6763	14,607	60,287
Sep	0.6870	0.6838	-0.0045	0.6880	0.6826	2,010	10,354
Dec	-	0.6903	-0.0047	-	0.6900	1	60

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	0.7234	0.7157	-0.0080	0.7250	0.7152	18,313	116,115
Sep	0.7332	0.7251	-0.0081	0.7332	0.7247	5,160	16,782
Dec	0.7350	0.7346	-0.0082	0.7350	0.7345	2	724

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Jun	1.6362	1.6334	-0.0038	1.6388	1.6314	15,577	45,802
Sep	1.6284	1.6256	-0.0040	1.6310	1.6240	8,498	9,002
Dec	1.6170	1.6180	-0.0042	1.6230	1.6170	3	184

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.630	0.78	1.56	2.02	0.35	1.24	2.04
1.640	0.30	1.01	1.57	0.88	1.79	2.55
1.650	0.10	0.66	1.19	1.65	2.45	-

Previous day's vol., Calls 1,787 Puts 774 . Prev. day's open int., Calls 16,428 Puts 19,539

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.560	0.52	0.88	1.20	0.12	0.39	0.80
0.565	0.23	0.59	0.92	0.32	0.63	0.82
0.570	0.09	0.38	0.69	0.66	0.89	1.10

Previous day's vol., Calls 500 Puts 305 . Prev. day's open int., Calls 14,254 Puts 21,700

BENCHMARK GOVERNMENT BONDS

Jun 5	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.3175	5.09	+0.23	+0.34	+0.07	-0.63
	10/07	10.000	132.2720	5.49	+0.11	+0.18	-0.21	-1.88
Austria	09/99	7.000	103.5400	4.08	-0.03	+0.03	-0.11	+0.17
	07/07	5.625	105.0400	4.92	-0.02	-	-0.15	-0.90
Belgium	01/00	4.000	99.7900	4.12	-	+0.04	-0.14	+0.49
	03/07	6.250	108.9800	4.98	-0.02	-	-0.11	-0.98
Canada	09/99	4.750	99.5100	5.16	-	+0.01	+0.05	+0.68
	06/07	7.250	113.6100	5.31	-	-	-0.05	-1.17
Denmark	12/99	6.000	102.2859	4.37	-	-0.02	-0.39	+0.04
	11/07	7.000	114.2000	5.07	-	-	-0.22	-1.42
Finland	01/99	11.000	104.1253	3.77	-0.02	+0.03	-0.12	+0.09
	04/05	7.250	115.1420	4.88	-0.03	-0.02	-0.13	-1.26
France	01/00	4.000	99.8980	4.06	+0.01	+0.06	-0.11	+0.36
	10/04	6.750	111.3500	4.85	+0.01	+0.02	-0.12	-0.63
	10/07	5.500	104.8000	4.87	-0.02	-0.01	-0.15	-0.86
	10/25	6.000	108.4100	5.40	-0.02	-0.03	-0.13	-1.23
Germany	09/99	4.000	100.0700	3.93	+0.01	+0.06	-0.13	+0.43
	11/04	7.500	115.2500	4.69	-0.01	+0.02	-0.13	-0.67
	07/07	6.000	108.2500	4.85	-0.02	-0.02	-0.15	-0.97
	07/27	6.500	115.9700	5.40	-0.02	-0.02	-0.14	-1.21
Ireland	04/99	6.250	100.5500	5.48	-0.05	+0.10	+0.45	-0.57
	08/06	8.000	118.9700	5.10	-0.03	-	-0.08	-1.59
Italy	05/00	6.000	102.7000	4.52	+0.02	+0.05	-0.06	-1.98
	05/02	6.250	105.4800	4.70	-	+0.01	-0.09	-2.03
	07/07	6.750	112.1500	5.06	-0.01	-	-0.09	-2.15
	11/26	7.250	123.6300	5.57	-	-0.01	-0.08	-2.26
Japan	03/00	6.400	110.4900	0.45	-	+0.05	-0.03	-0.68
	12/02	4.800	117.5300	0.84	+0.02	-	-0.18	-1.17
	09/05	3.000	112.3100	1.23	+0.03	-0.04	-0.23	-1.29
	09/17	3.000	115.1900	2.04	+0.01	-0.07	-0.25	-1.19
Netherlands	11/99	7.500	104.6300	4.08	+0.05	+0.06	-0.09	+0.37
	02/07	5.750	106.4800	4.82	-0.01	-0.01	-0.16	-0.87
New Zealand	02/00	6.500	98.3995	7.52	+0.23	+0.34	-0.17	+0.50
	11/06	8.000	109.2061	6.54	+0.15	+0.12	-0.24	-0.81
Norway	01/99	9.000	102.9570	4.75	-0.11	-0.16	+0.24	+0.80
	01/07	6.750	109.1700	5.38	-0.06	-0.11	-0.03	-0.59
Portugal	03/99	8.500	103.1700	4.26	+0.03	+0.06	+0.06	-1.01
	02/07	6.625	110.9200	5.04	+0.01	+0.03	-0.08	-1.45
Spain	07/99	7.400	103.4900	4.18	-	+0.01	-0.08	-0.91
	03/07	7.350	116.3300	5.01	-0.01	+0.01	-0.10	-1.57
Sweden	01/99	11.000	103.9420	4.23	-0.02	-0.17	-0.48	-0.58
	08/07	8.000	121.7160	4.99	-0.01	-0.05	-0.29	-1.98
Switzerland	03/00	5.000	105.2000	1.95	-0.04	+0.11	+0.02	+0.49
	06/07	4.500	112.2500	2.93	-	+0.08	-0.18	-0.55
UK	08/99	6.000	98.9766	6.81	+0.03	+0.30	+0.32	+0.11
	11/04	6.750	104.2734	5.94	-	+0.12	+0.03	-1.13
	12/07	7.250	110.7344	5.77	-0.01	+0.07	-0.05	-1.35
	06/21	8.000	130.4141	5.63	-0.02	-0.02	-0.13	-1.54
US	10/99	5.625	100.0000	5.62	+0.02	+0.05	+0.04	-0.58
	11/04	7.875	111.7813	5.67	-0.01	+0.03	-0.03	-0.81
	08/07	6.125	103.0625	5.69	-	+0.02	-0.03	-0.92
	08/27	6.375	107.4375	5.84	-0.03	-0.02	-0.13	-1.04
ECU	01/00	4.000	99.6700	4.20	+0.02	-0.01	-0.11	-0.02
	04/07	5.500	104.3000	4.90	-0.01	-0.01	-0.16	-1.27

London closing. *New York closing. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

WORLD INTEREST RATES

MONEY RATES

Jun 5	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	–
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	–
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	–	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	–	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	–	6.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	–	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.48
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.48
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	2.75	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	2	–	1.00	–
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.00	–
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	5.00	–
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	5.00	–
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	0.50	–
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
week ago	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
US Dollar CDs	–	5.45	5.45	5.48	5.55	–	–	–
week ago	–	5.42	5.48	5.52	5.60	–	–	–
ECU Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
week ago	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
SDR Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
week ago	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 5	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.30	94.31	-	94.31	94.29	42,069	401,377
Sep	94.28	94.27	-0.01	94.35	94.27	114,872	489,606
Dec	94.21	94.19	-0.01	94.22	94.13	98,808	396,876

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.00	95.00	-	95.02	94.98	301	1,899
Sep	94.94	94.94	-0.01	94.97	94.91	144	2,214
Dec	95.00	94.97	-0.02	95.00	94.99	8	106

All Open interest figs. are for previous day

■ POUND IN NEW YORK

Jun 5	—Close—	– Prev. close –
£ spot	1.6340	1.6375
1 mth	1.6314	1.6350
3 mth	1.6261	1.6308
1 yr	1.6067	1.6104

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

■ OTHER CURRENCIES

Jun 5	£	$
Czech Rp	54.0190 - 54.1043	33.0270 - 33.0610
Hungary	347.467 - 347.740	212.440 - 212.490
Iran	4909.50 - 4906.80	3000.00 - 3000.00
Kuwait	0.5005 - 0.5013	0.3060 - 0.3063
Peru	4.7269 - 4.7360	2.8900 - 2.8940
Poland	5.6265 - 5.6427	3.4400 - 3.4480
Russia	10.1088 - 10.1177	6.1805 - 6.1825
U.A.E.	6.0072 - 6.0109	3.6728 - 3.6730

BANK RETURN

The Bank Return table can be found on page 30 in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Jun 5	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Jun 5, 7.2198pc. ECGD fixed rate Stlg. Export Finance. Make up day May 29, 1998. Agreed rate for period Jun 24, 1998 to Jul 25, 1998, Scheme III 8.72pc. Reference rate for period May 1, 1998 to May 29, 1998, Schemes IV & V 7.477pc. Finance House Base Rate 8pc from Jun 1, 1998.

BANK OF ENGLAND TREASURY BILL TENDER

	Jun 5	May 29		Jun 5	May 29
Bills on offer	£100m	£100m	Top accepted rate	7.2198%	7.0593%
Total of applications	£620m	£517m	Ave. rate of discount	7.2198%	7.0563%
Total allocated	£100m	£100m	Average yield	7.3521%	7.1827%
Min. accepted bid	£98.200	£98.240	Offer at next tender	£100m	£100m
Allotment at min. level	99%	99%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	Sun Bank	7.50
Banco Bilbao Vizcaya	7.50	●Guinness Mahon	7.50	TSB	7.50
Bank of Cyprus	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.50	Whiteaway Laidlaw	7.50
Bank of Scotland	7.50	C. Hoare & Co	7.50	Yorkshire Bank	7.50
Barclays Bank	7.50	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.50	Julian Hodge Bank	7.25		
Citibank NA	7.50	●Leopold Joseph & Sons	7.50		
Clydesdale Bank	7.50	Lloyds Bank	7.50		
The Co-operative Bank	7.50	Midland Bank	7.50		
Coutts & Co	7.50	NatWestminster	7.50		
Cyprus Popular Bank	7.50	●Rea Brothers	7.50		
Duncan Lawrie	7.50	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.50		

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amt £m	Interest due	Last xd	City line
Shorts* (Lives up to Five Years)							
[illegible]							

Other Fixed Interest

[illegible]

This announcement appears as a matter of record only May 1998

EURO PRICES

EQUITIES

Germans watch jobless totals

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

Events in Germany should prove the centrepiece of the European week. The Bundesbank council meets on Wednesday and, while no rate rise is expected, the Bank of England showed last week that central banks like to surprise markets from time to time.

German politicians will be closely watching Tuesday's release of unemployment numbers. The consensus forecast had been for a 20,000 drop but on Friday Chancellor Helmut Kohl pointed to a 220,000 unadjusted decline, which would translate into a hefty 70,000 seasonally adjusted fall.

After the first European Central Bank board meeting last week, the full 17-member council has its initial get-together this week. But the banker to whom European markets will pay most attention will be Alan Greenspan, the US Federal Reserve chairman, who is testifying to Congress on monetary policy and the economic outlook.

European bourses ended the week in fine form, helped by Wall Street. Brussels, Frankfurt and Paris all recorded new highs.

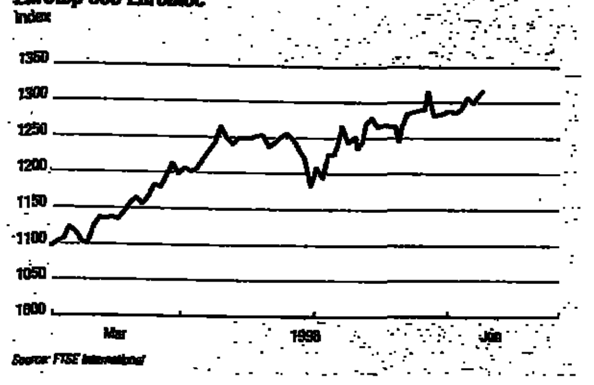
The FTSE Eurotop 100 index gained 52.77 or 1.9 per cent to 2,872.48 on Friday while the broader Eurotop 300 index moved up 20.05 or 1.6 per cent to 1,251.23. The FTSE Ebloc 100 index, confined to stocks from single currency member countries, rose 15.47 to 1,055.84.

The prospect of buoyant corporate earnings growth is supporting the markets; IBES figures show that Italian earnings per share are expected to grow by 48 per cent this year and German eps by 22 per cent.

Volkswagen gained Ecu 20.50 to Ecu 786.71 on Friday after a vote of Vickers shareholders confirmed the sale of Rolls-Royce Motors to the German auto group. Ironically, BMW shares rose Ecu 40.10 to Ecu 1,005.53 in spite of its failure to gain control of the British luxury carmaker.

The announcement that Astra was preparing to buy itself out of its US joint venture with Merck helped the Swedish drugs group's shares gain Ecu 1.90 to Ecu 19.60 on speculation it could take part in the restructuring of the pharmaceuticals sector. The sector gained 2.2 per cent on the day.

Eurotop 300 Eurobloc
Index



Source: FTSE International

THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.730	95.755	+0.025	95.755	95.730	205	11043
Sep	95.760	95.755	+0.005	95.760	95.750	788	17026
Dec	95.970	95.970	+0.015	95.970	95.970	20	7266
Mar	95.855	95.865	-0.005	95.870	95.855	100	5168

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike	CALLS				PUTS			
Price	Jun	Jul	Aug	Sep	Jun	Jul	Aug	Sep
96000	0	0	0.005	0.005	0.245	0.245	0.250	0.250
96125	0				0.370			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2860.0	2876.0	+51.0	2870.0	2860.0	70	1032
Sep	-	2897.0	+51.0	-	-	0	5
Dec	-	2916.0	+51.0	-	-	0	73

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2725 C	2725 P	2750 C	2750 P	2775 C	2775 P	2800 C	2800 P	2825 C	2825 P	2850 C	2850 P	2875 C	2875 P	2900 C	2900 P
Jun	183	12	147	15	120	19	100	24	81	30	64	38	49	48	37	61
Jul	199	43	179	49	161	55	143	62	126	70	105	78	96	88	83	101

Est vol total 403 Prev day's open interest total 1,217. Premiums shown are based on settlement prices.

OTHER INDICES

	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3379.58	3327.98	3344.90	3398.00	2574.61	3398	2976.42
DJ Euro Stx 50	3421.55	3375.03	3389.22	3424.86	2466.81	3424.86	2865.52
MSCI Europe	1239.72*	1222.82	1227.83	1248.24	980.50	1248.24	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

June 05 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop300	1251.23	+1.63	+20.05	2.00	15.90	1277.16
FTSE Eurotop100	2872.48	+1.87	+52.77	2.08	18.84	1021.48
FTSE Ebloc100	1055.84	+1.49	+15.47	1.71	7.99	1064.14
FTSE Eurotop 300 Regions						
Eurobloc	1318.36	+1.47	+19.04	1.67	12.43	1336.88
UK	1141.64	+1.88	+21.01	2.80	20.05	1181.27
Europe Ex-Eurobloc	1196.30	+1.80	+21.10	2.35	17.04	1226.42
Europe Ex-UK	1314.30	+1.51	+19.52	1.61	12.61	1330.99
FTSE Eurotop Industry Sectors						
RESOURCES	1035.22	+2.26	+22.87	2.71	15.70	1066.16
Extractive Industries	847.06	+1.03	+8.68	3.05	0.00	847.06
Oil, Integrated	998.38	+2.36	+23.06	2.70	8.77	1007.28
Oil, Exploration & Prod	1014.10	–0.19	–1.92	2.39	0.00	1014.10
GENERAL INDUSTRIES	1248.95	+1.52	+18.65	2.04	12.96	1268.16
Construction	1005.19	+0.30	+3.05	2.98	0.00	1005.19
Building Matls & Merchs	1105.13	+1.31	+14.27	2.40	0.71	1105.85
Chemicals	1063.88	+0.68	+7.17	2.09	14.73	1079.57
Diversified Industrials	1048.32	+1.97	+20.26	2.11	4.24	1052.71
Electronic & Elect Equip	1048.31	+1.91	+19.65	1.74	0.49	1048.80
Engineering	1063.27	+0.89	+9.43	3.20	3.42	1066.74
Paper, Pckg & Printing	1047.75	+0.31	+3.23	2.23	0.00	1047.75
CONSUMER GOODS	1176.06	+1.58	+18.27	1.65	12.26	1201.54
Automobiles	1124.21	+2.42	+26.57	1.01	6.63	1131.15
Alcoholic Beverages	998.36	+1.00	+9.86	2.31	1.86	1000.25
Food Producers	1065.70	+0.88	+9.32	1.58	7.80	1073.74
Household Goods & Texts	1108.65	+0.72	+7.91	1.76	0.72	1109.44
Healthcare	975.41	+2.24	+21.37	2.35	9.52	985.33
Pharmaceuticals	989.52	+2.16	+20.92	1.35	2.07	991.60
Tobacco	1007.04	+1.22	+12.14	4.22	1.81	1008.94
SERVICES	1216.64	+1.49	+17.88	1.85	12.05	1239.15
Distribution	1031.40	+0.35	+3.57	1.06	2.70	1034.18
Leisure & Hotels	1046.97	+2.27	+23.25	2.31	0.00	1046.97
Media	1074.99	+1.37	+14.58	2.09	1.29	1076.34
Retailers, Food	1010.91	+0.33	+3.31	2.08	7.01	1018.15
Retailers, General	1060.43	+2.44	+25.23	2.16	6.22	1066.85
Telecommunications	1047.37	+1.56	+16.11	1.62	3.68	1051.19
Breweries, Pubs & Rests	972.21	+1.69	+16.14	2.89	8.69	981.01
Support Services	1034.98	+0.29	+3.01	1.21	5.66	1040.88
Transport	1077.08	+0.87	+9.31	2.42	5.80	1083.15
Information Technology	1129.79	+3.69	+40.21	0.36	2.23	1132.36
UTILITIES	1322.57	+1.34	+17.46	3.32	37.56	1377.76
Electricity	994.87	+0.61	+6.04	3.51	15.73	1010.78
Gas Distribution	1030.64	+3.27	+32.59	1.78	83.72	1124.40
Water	1035.96	+2.02	+20.49	4.86	0.00	1035.96
FINANCIALS	1389.22	+1.67	+22.52	1.90	18.57	1396.47
Banks,Retail	990.96	+1.65	+16.06	2.12	7.69	998.66
Insurance	1002.87	+1.80	+17.71	1.32	4.29	1007.23
Life Insurance	1052.40	+1.44	+14.93	1.99	3.19	1055.89
Other Financial	1005.64	+1.61	+15.94	1.95	6.00	1011.57
Investment Companies	1137.94	+2.10	+23.38	1.97	10.64	1148.88
Property	890.90	+1.09	+9.61	3.02	11.15	902.31

Further information is available on http://www.ftse.com. © FTSE International Limited 1998. All rights reserved. "FTSE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. Market closed: Denmark.

FTSE EUROTOP 300

Name | Price (Ecu) | Chge + or - | Mkt cap Ecu(bn) | Vol (m) | Yld

ALCOHOLIC BEVERAGES — DISTRIBUTORS — HOUSEHOLD GOODS & TEXTILES — PHARMACEUTICALS — AUTOMOBILES — DIVERSIFIED INDUSTRIALS — INFORMATION TECHNOLOGY — PROPERTY — INSURANCE — RETAILERS, FOOD — BANKS RETAIL — ELECTRICITY — RETAILERS, GENERAL — INVESTMENT COMPANIES — ELECTRONIC & ELECTRICAL EQPT. — SUPPORT SERVICES — LEISURE & HOTELS — LIFE INSURANCE — TELECOMMUNICATIONS — ENGINEERING — MEDIA — TOBACCO — BREWERIES, PUBS & RESTAURANTS — OIL, EXPLORATION & PRODUCTION — TRANSPORT — BUILDING MATERIALS & MERCHANTS — EXTRACTIVE INDUSTRIES — OIL, INTEGRATED — WATER — FOOD PRODUCERS — OTHER FINANCIAL — CHEMICALS — GAS DISTRIBUTION — PAPER PACKAGING & PRINTING — HEALTH CARE — CONSTRUCTION

[illegible]

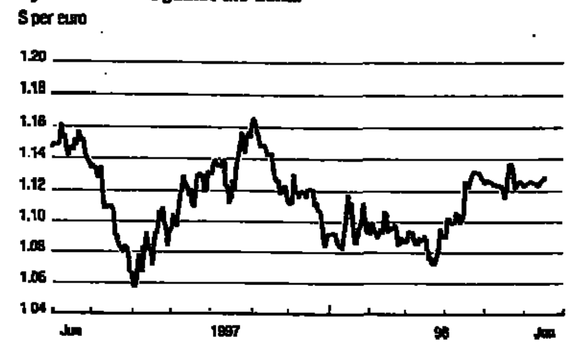
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Jun 05	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.070681	+0.0011	+0.01	+0.0029	+0.02
Belgium	BEF	41.243410	+0.0011	+0.00	+0.0383	+0.09
Czech Republic	CZK	37.266810	+0.3202	+0.87	+0.2972	+0.80
Denmark	DKK	7.617456	–0.0005	–0.01	+0.0012	+0.02
Finland	FIM	6.076562	–0.0002	+0.00	+0.0006	+0.01
France	FRF	6.705296	+0.0005	+0.01	–0.0038	–0.06
Germany	DEM	1.999691	+0.0002	+0.01	+0.0005	+0.02
Greece	GRD	339.195165	–0.5227	–0.15	–2.2701	–0.66
Hungary	HUF	239.616654	–0.1755	–0.07	–0.4351	–0.18
Ireland	IEP	0.792613	+0.0000	+0.00	+0.0002	+0.03
Italy	ITL	1969.071129	–0.5328	–0.03	–0.9983	–0.05
Luxembourg	LUF	41.243410	+0.0011	+0.00	+0.0383	+0.09
Netherlands	NLG	2.253885	+0.0005	+0.02	+0.0009	+0.04
Norway	NOK	8.399242	–0.0245	–0.29	–0.0475	–0.56
Poland	PLN	3.884121	–0.0221	–0.57	–0.0307	–0.78
Portugal	PTE	204.807307	+0.0243	+0.01	+0.2085	+0.10
Romania	ROL	9670.829598	–39.4434	–0.41	+127.7451	+1.34
Russia	RUB	6.971458	–0.0343	–0.49	+0.0530	+0.77
Slovakia	SKK	38.779181	–0.0880	–0.23	+0.0966	+0.25
Spain	ESP	169.789317	–0.0243	–0.01	+0.1052	+0.06
Sweden	SEK	8.791802	+0.0141	+0.16	+0.0101	+0.11
Switzerland	CHF	1.662706	+0.0001	+0.01	+0.0046	+0.28
United Kingdom	GBP	0.689307	–0.0009	–0.13	+0.0017	+0.24
ECU	ECU	1.014801	–0.0001	–0.01	+0.0003	+0.03
Americas						
Brazil	BRL	1.299331	–0.0058	–0.44	+0.0095	+0.74
Canada	CAD	1.646466	–0.0029	–0.17	+0.0148	+0.91
Mexico	MXN	9.874386	–0.0938	–0.94	–0.0118	–0.12
United States	USD	1.127794	–0.0059	–0.52	+0.0064	+0.57
Pacific/Middle East/Africa						
Australia	AUD	1.877325	+0.0307	+1.66	+0.0869	+4.85
Hong Kong	HKD	8.740082	–0.0456	–0.52	+0.0504	+0.58
Japan	JPY	157.394886	+0.6757	+0.43	+2.0086	+1.29
Singapore	SGD	1.915332	+0.0030	+0.16	+0.0381	+2.03
South Africa	ZAR	5.792912	–0.0060	–0.10	+0.0110	+0.19

Source: FTSE International Ltd. This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying GDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3364, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar
$ per euro



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

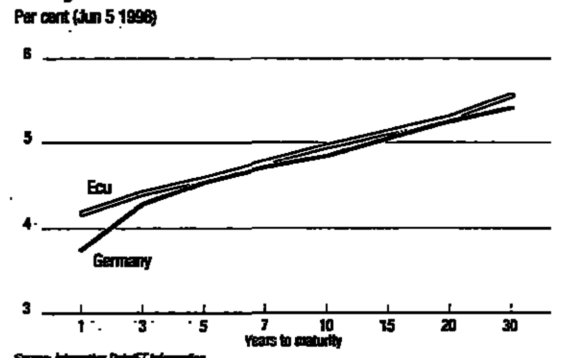
Bilateral conversion rates against the D-Mark

Jun 05	Fixed rate	Market rate	Diff fxd v mkt%	Week ago %	Forward rate	Forward int rate	Diff int rate v DEM
Austria	7.03552	7.0364	+0.01	+0.02	7.039	3.78	+0.07
Belgium	20.6255	20.6249	+0.00	–0.07	20.6303	3.76	+0.05
France	3.35386	3.3532	–0.02	+0.06	3.3532	3.71	+0.00
Finland	3.04001	3.0387	–0.04	–0.03	3.0412	3.86	+0.15
Ireland	0.402676	0.3964	–1.56	–1.58	0.4016	6.03	+2.32
Italy	990.002	984.6878	–0.54	–0.46	990.7189	4.79	+1.08
Luxembourg	20.6255	20.6249	+0.00	–0.07	20.6303	3.76	+0.05
Netherlands	1.12674	1.1271	+0.03	+0.02	1.1269	3.68	–0.03
Portugal	102.505	102.4195	–0.08	–0.16	102.6721	4.15	+0.44
Spain	85.0722	84.9078	–0.19	–0.23	85.1537	4.22	+0.51
Germany	1		+0.00	+0.00		3.71	+0.00

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3; forward rates are exchange rates to 31/12/98 interpolated from market quotes; forward interest rates are those implied by these forward exchange rates; Diff int rates v DEM are differences between implied forward interest rates and the DEM forward interest rate for 31/12/98. DEM forward interest rate for 31/12/98 is calculated by interpolation between published BBA market fixings.

BONDS

Bond yield curve
Per cent (Jun 5 1998)



Source: Interactive Data/FT Information

GOVERNMENT BOND SPREADS vs ECU

Jun 05	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"INs"						
Austria	–0.06	–0.01	+0.04	+0.01	+0.03	–0.05
Belgium	–0.06	+0.04	+0.09	+0.05	+0.04	–0.01
Finland	–0.13	+0.05	+0.06	+0.04	–0.28	–0.54
France	–0.15	–0.06	–0.06	–0.04	–0.03	–0.11
Germany	–0.18	–0.05	–0.02	–0.11	–0.03	–0.13
Ireland	+0.85	+0.12	+0.12	+0.14	+0.14	+0.19
Italy	+0.29	+0.24	+0.21	+0.19	+0.20	+0.12
Luxembourg	–0.06	+0.04	+0.09	+0.05	+0.04	–0.07
Netherlands	–0.11	–0.03	–0.04	–0.07	–0.03	–0.12
Portugal	+0.07	+0.11	+0.10	+0.12	+0.29	+0.32
Spain	+0.03	+0.10	+0.11	+0.11	+0.20	+0.27
"OUTs"						
Denmark	+0.16	+0.19	+0.19	+0.11	+0.05	+0.13
Greece	+5.89	+4.19	+3.47	+2.73	+2.41	+2.15
Sweden	+0.14	+0.13	+0.12	+0.06	+0.11	–0.15
UK	+2.39	+1.41	+1.18	+0.77	+0.38	–0.02

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CORPORATE BONDS

Jun 05	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Ecu
Sovereign Fungible issues								
Belgium (Kingdom of)	03/08	5.750	N/A	105.650	5.00	–0.02	–0.11	+0.04
France (Rep of)	04/08	5.250	N/A	102.610	4.91	–0.01	–0.14	–0.05
Italy (Rep of)	05/08	5.000	AA	99.870	5.02	–0.01	–0.14	+0.06
Portugal (Rep of)	06/08	5.375	AA–	102.630	5.03	–0.02	–0.14	+0.07
Euro issues								
Abbey Natl Treas Srv	02/03	4.875	AA	100.650	4.71	+0.01	–0.16	+0.12
Gen Electric Cap Crp	10/04	5.500	AAA	103.450	4.85	+0.00	–0.15	+0.13
Oest Kontrollbank	04/08	5.250	AAA	101.470	5.06	+0.00	–0.12	+0.10
Cred Local de France	04/08	5.250	AA+	100.250	5.22	+0.00	–0.15	+0.26
Ecu issues								
Bayer Hypo & Wch Bk	07/01	5.000	A+	101.370	4.51	+0.01	–0.04	+0.11
Cred Foncier France	03/04	8.375	A	115.020	5.28	–0.01	–0.13	+0.56
Euro Inv Bank	04/04	5.250	AAA	103.250	4.60	–0.02	–0.15	–0.12
ABN Amro Hldg. NV	04/07	6.375	AA–	107.710	5.26	–0.02	–0.18	+0.35

Source: Interactive Data/FT Information. London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

EUROZONE CREDIT SPREADS vs ECU

Jun 05	S & P rating	Red date	Coupn	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/08	5.000	DEM	+0.01	–0.03	+0.01
France Telcom	AA+	11/06	6.250	FRF	+0.17	+0.18	+0.19
Halifax	AA	07/07	5.625	DEM	+0.17	+0.17	+0.20
Ing Bank NV	AA–	01/08	5.500	NLG	+0.19	+0.18	+0.19
Bayer Hypo W Bk	A+	02/02	6.750	ITL	+0.34	+0.27	+0.27
Cred Foncier	A	02/03	7.250	DEM	+0.34	+0.27	+0.36
Thomson-Brandt Int	A–	03/04	6.375	FRF	+0.32	+0.29	+0.34
Generale des Eaux	BBB+	03/04	6.250	FRF	+0.28	+0.26	+0.25
Bank of China	BBB	07/09	7.125	DEM	+0.63	+0.55	+0.71
Natl Bk of Hungary	BBB–	06/01	9.000	ATS	+0.85	+0.73	+0.65
Korea Dev Bank	B+	11/02	5.625	FRF	+4.44	+4.46	+4.12

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Continued

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

FT Share Service

[illegible]

FT Free Annual Reports Club

[illegible]

FT Company Focus / Focus Plus

[illegible]

FT Cityline

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

Butterfield Management Co Ltd

Integral Bond Arbitrage Fund Limited

Integral Asset Management International Ltd

McKinley Offshore Management Ltd

Orbis Investment Management Ltd

Stratford Investment Funds

GUERNSEY (FSA RECOGNISED)

Dresdner RCM Global Investors (Guernsey) Ltd

Lazard Fund Managers (C.I.) Ltd

Lloyds Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (C.I.) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mgmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

AIB Govett Co (Guernsey) Ltd

Apollo Investment Management Ltd

BFIT Investment Services Limited

Barclays Global Investors Guernsey Ltd

CA IB Asset Management (CI) Ltd

Credit Suisse Asset Mgmt (Guernsey) Ltd

Dresdner RCM Global Investors (Guernsey) Ltd

FP Consult

Global Portfolio Management (Guernsey) Ltd

Long-Invest Capital Ltd

Merrill Lynch Guernsey

Private Fund Managers (Guernsey) Limited

Rothschild Asset Mgmt (CI) Ltd

Stamford Associates (Guernsey) Ltd

Tudor Investment Management (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

U.S. Global Investors (Guernsey) Limited

UTI (Guernsey) Limited

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

Aberdeen Prolific International Fund Plc

BT Fund Managers (Ireland) Ltd (z)

Bank of Cyprus Group

Baring International Fund Managers (Ireland) Ltd

Edinburgh Unit Trust Managers (Ireland) Ltd

Fidelity International Ltd

GT Global

Lazard Investment Funds Ltd

Lazard Investment Funds Ltd - Contd.

Morgan Grenfell Investment Funds Ltd (z)

Old Mutual International (Ireland) Ltd

Barclays Global Investors Ireland Ltd

Baring Mutual (Ireland) Ltd

Bear, Stearns Asset Mgt (Ireland) Ltd

Blackstone Franks Managers Ireland Ltd

Capital Value Fund Plc

Coronado International Fund Plc

Dresdner Kleinwort Benson Intl Mgt Srv

High Star European Life Assurance Co Ltd

Sparinn Capital European Fund Plc

Emerging Market Growth Fund Plc

Emerging World Asset Management

F.I.T. Investment Trust Ltd

Franklin Templeton Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd

Business.
And Pleasure.

To order any book featured in the FT
Freephone 0500 500 635

FT Bookshop

250 Western Avenue, London, W3 6EE
Tel +44 181 324 5511 Fax +44 181 324 5678

FINANCIAL TIMES
No FT, no comment.

IRELAND (REGULATED)(**)

ABN AMRO Global Liquidity Funds Plc

INVESTORS Fund Services (Ireland) Ltd

Korea Fund

Lazard Investment Funds Ltd

Morgan Grenfell Cash & Money Market Plc

Pacific 21st Century Fund

Paine Webber Offshore Funds Plc

Putnam Asset Management (Ireland) Ltd

Scottish Mutual Intl Fund Managers Ltd

Singer & Friedlander Cash Funds Plc

Tudor Workman & Company Inc

Volvo Express Fund Plc

The Wasper Investment Company PLC

Yield Korea Fund

Yield Taiwan Fund

ISLE OF MAN (FSA RECOGNISED)

Alliance and Leicester International Fund PLC

Allied Dunbar Intl Fund Mgrs (1000)F

Irish Permanent Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

Slater Bank Global Funds Plc

ISLE OF MAN (REGULATED)(**)

BOS International Asset Management (IoM) Ltd

City Financial Admin (IoM) Ltd

Old Mutual Intl Fd Managers (Isle of Man) Ltd

JERSEY (FSA RECOGNISED)

AIB Fund Managers (CI) Ltd

AIB Govett (Channel Islands) Limited (1000)F

Lloyds TSB Fund Managers (CI) Ltd

Lloyds TSB Fund Managers (Jersey) Ltd

JERSEY (REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

Bank of Ireland Asset Management (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Coutts (Jersey) Fund Limited

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

Lazard Fund Administration Services (CI) Ltd

Lloyds Private Banking (CI) Ltd

Midland Bank Fund Managers (Jersey) Ltd

Guinness Flight Fund Managers (CI) Ltd

LUXEMBOURG (FSA RECOGNISED)

ABN AMRO Funds (z)

American Fleming Investment Portfolio (z)

For TSB Mgrs and Lloyds TSB Mgrs.

هكذا من الأصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Bank Von Ernst & Cie AG

Frontrunner I - Contd.

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

The Dragon Fund Sicav

Dresdner RCM European Bond Fund

Egypt Trust

Emerging Markets Brewery Fund SICAV

The European Asset Value Fund

Merrill Lynch Asset Management - Contd.

TCW Luxembourg Funds

Target International Ltd

Templeton Emerging Asia

Friends Provident International

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

OTHER OFFSHORE FUNDS

هكذا من الأصل

صكنا من الاجل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 5 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jun 5 / Frs.)

[illegible]

CZECH REP (Jun 5 / Koruna)

[illegible]

DENMARK (Jun 4 / Kr)

[illegible]

FINLAND (Jun 5 / Mkk)

[illegible]

FRANCE (Jun 5 / Frs.)

[illegible]

GERMANY (Jun 5 / Dm.)

[illegible]

GREECE (Jun 5 / Drachma)

[illegible]

ITALY (Jun 5 / Lira)

[illegible]

NETHERLANDS (Jun 5 / Fls.)

[illegible]

NORWAY (Jun 5 / Kroner)

[illegible]

POLAND (Jun 5 / Zloty)

[illegible]

PORTUGAL (Jun 5 / Escudo)

[illegible]

SPAIN (Jun 5 / Pta.)

[illegible]

SWEDEN (Jun 5 / Kronor)

[illegible]

SWITZERLAND (Jun 5 / Frs.)

[illegible]

TURKEY (Jun 5 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Jun 5 / Yen)

[illegible]

HONG KONG (Jun 5 / H.K.$)

[illegible]

INDONESIA (Jun 5 / Rupiah)

[illegible]

MALAYSIA (Jun 5 / MYR)

[illegible]

NEW ZEALAND (Jun 5 / NZ $)

[illegible]

SINGAPORE (Jun 5 / S$)

[illegible]

AUSTRALIA (Jun 5 / Aust$)

[illegible]

SOUTH KOREA (Jun 5 / Won)

[illegible]

TAIWAN (Jun 5 / TW $)

[illegible]

THAILAND (Jun 5 / Baht)

[illegible]

AMERICAS

CANADA

TORONTO (Jun 5 / Can $) 4 pm close

[illegible]

MONTREAL (Jun 5 / Can $) 4 pm close

[illegible]

MEXICO (Jun 5 / Peso) 12:30 pm

[illegible]

AFRICA

SOUTH AFRICA (Jun 5 / Rand)

[illegible]

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JUNE 5 1998 US Dollar Index	%chg since 31/12/97	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/97	Gross Div. Yield	THURSDAY JUNE 4 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	185.52	-7.3	168.11	163.66	171.01	205.40	0.6	3.86	190.85	172.28	166.76	174.99	208.75	243.87	185.52	232.17
Austria (23)	244.09	29.1	221.18	215.33	225.00	224.87	27.3	1.51	245.01	221.14	214.09	224.66	224.52	253.73	181.80	195.63
Belgium (26)	363.74	42.9	329.80	320.88	335.30	328.04	41.1	2.24	359.98	324.92	314.55	330.08	322.95	363.74	234.33	247.38
Brazil (28)	228.65	-4.1	207.19	201.71	210.77	484.89	-1.0	2.11	225.13	203.20	196.72	206.43	477.06	322.44	184.94	264.69
Canada (120)	238.42	12.2	218.04	210.32	219.77	252.04	14.5	1.58	238.02	214.83	207.98	218.24	250.74	248.78	199.10	209.08
Denmark (34)	503.08	12.4	455.87	443.80	463.74	462.15	10.9	1.31	505.68	456.43	441.87	463.67	462.15	521.81	375.32	381.46
Finland (28)	434.80	56.1	393.99	383.57	400.80	491.65	54.5	1.86	428.05	386.36	374.03	392.49	481.51	451.12	267.45	267.45
France (78)	335.41	40.2	303.93	295.89	309.19	312.81	38.5	1.88	332.57	300.18	290.60	304.94	306.52	335.41	217.48	220.52
Germany (58)	303.71	32.4	275.20	267.92	279.96	279.96	30.5	1.19	300.88	271.57	262.90	275.88	275.88	303.71	204.89	212.89
Greece (37)	297.72	0.0	269.78	262.64	274.44	641.87	0.0	1.42	298.62	269.53	260.93	273.81	641.44	307.94	264.88	-
Hong Kong, China (66)	253.20	-29.1	229.44	223.37	233.40	251.92	-29.1	6.26	254.31	229.54	222.22	233.18	253.02	580.03	253.20	525.52
Indonesia (27)	32.46	-50.9	29.42	28.64	29.92	232.01	4.2	3.05	31.99	28.88	27.96	29.34	228.65	254.90	27.26	239.69
Ireland (16)	514.79	28.2	466.47	454.13	474.53	509.78	28.4	1.91	510.62	460.89	446.18	468.20	503.00	560.44	341.21	341.21
Italy (64)	170.03	44.5	154.07	150.00	156.74	221.71	42.7	1.27	168.66	152.23	147.38	154.65	218.83	177.15	86.93	88.26
Japan (480)	89.67	-5.9	81.25	79.10	82.66	79.10	1.0	1.00	90.97	82.11	79.49	83.41	79.49	141.12	88.52	134.05
Malaysia (106)	138.95	-15.5	125.91	122.58	128.09	213.28	-13.5	3.00	142.49	128.61	124.51	130.66	217.87	538.33	113.56	534.34
Mexico (29)	1484.03	-17.7	1344.76	1309.17	1367.99	14206.33	-10.6	1.71	1472.59	1329.15	1286.75	1350.25	14156.42	1901.98	1415.52	1477.55
Netherlands (19)	526.89	28.5	477.43	464.80	485.66	480.58	26.7	1.92	525.28	474.11	458.99	481.64	476.51	532.74	376.29	376.29
New Zealand (14)	63.53	-16.9	57.57	56.04	58.56	65.71	-6.0	4.63	65.64	59.25	57.36	60.19	66.30	98.47	63.53	90.54
Norway (36)	317.58	-0.6	287.78	280.16	292.75	321.03	0.4	1.98	311.00	280.71	271.75	285.16	313.65	374.84	281.62	310.69
Philippines (22)	85.69	8.0	77.65	75.60	78.99	167.30	6.1	1.24	85.80	77.44	74.97	78.67	166.97	172.36	57.54	169.15
Portugal (18)	276.74	0.0	250.77	244.13	255.10	343.98	0.0	1.11	268.22	242.09	234.37	245.93	331.61	299.39	268.22	-
Singapore (42)	157.22	-30.2	142.46	138.69	144.92	123.04	-29.6	2.47	161.12	145.43	140.79	147.74	125.25	401.75	144.01	393.80
South Africa (42)	279.33	5.3	253.11	246.42	257.49	313.80	11.1	2.75	282.45	254.94	246.81	258.99	315.78	384.24	227.66	360.22
Spain (31)	393.39	44.7	356.48	347.04	362.63	448.68	43.0	1.71	388.54	350.79	339.60	356.36	441.01	398.54	236.28	252.22
Sweden (45)	607.27	29.3	550.28	535.72	559.79	700.80	27.1	1.67	593.69	535.86	518.76	544.37	580.45	615.21	438.98	453.30
Switzerland (30)	412.79	21.1	374.05	364.15	380.51	377.29	22.4	1.09	409.27	369.41	357.62	375.27	372.10	414.95	265.85	293.23
Thailand (38)	16.75	-13.2	15.18	14.77	15.44	28.14	-22.0	9.54	16.84	15.20	14.71	15.44	28.03	69.09	13.10	64.39
United Kingdom (206)	384.05	15.8	348.01	338.80	354.02	348.01	16.4	2.84	380.42	343.36	332.41	348.81	343.36	401.84	284.50	284.50
USA (632)	454.42	14.6	411.78	400.88	418.89	454.42	14.6	1.41	446.96	403.42	390.55	409.82	446.96	462.18	341.93	341.93
Americas (807)	410.58	14.0	372.05	362.20	378.47	347.19	14.2	1.49	404.12	364.76	353.12	370.55	341.89	418.95	313.33	313.33
Europe (745)	368.16	28.7	331.80	323.02	337.53	345.25	26.0	1.96	362.75	327.41	316.97	332.61	340.37	367.09	259.30	259.30
Eurobloc (351)	106.31	0.0	108.28	111.51	105.94	105.85	0.0	1.81	105.40	106.91	108.51	104.48	104.49	106.34	100.00	-
Nordic (149)	525.00	27.3	475.73	463.14	483.95	529.57	25.8	1.67	516.13	465.86	450.98	473.25	517.54	536.56	388.51	390.11
Pacific Basin (867)	96.20	-9.2	87.17	84.86	89.68	85.34	-3.2	1.74	97.66	88.15	85.34	89.55	85.79	158.99	85.32	152.70
Euro-Pacific (1612)	208.72	14.5	189.13	184.13	192.40	183.45	16.1	1.90	208.15	187.88	181.88	190.86	181.82	216.04	172.03	197.19
North America (752)	440.57	14.5	389.23	388.65	408.12	440.81	14.6	1.42	433.62	391.38	378.80	397.60	433.79	449.61	333.87	333.87
Europe Ex. UK (539)	344.57	32.7	312.24	309.97	317.63	339.16	31.4	1.53	341.38	308.13	298.30	313.02	328.32	345.25	234.29	234.29
Europe Ex. Eurobloc (394)	99.99	0.0	101.42	104.46	99.24	100.87	0.0	2.31	98.58	100.00	102.43	97.72	99.20	100.97	96.35	-
Europe Ex. UK Ex. Eurobloc (188)	103.46	0.0	105.35	108.52	103.10	103.04	0.0	1.31	102.28	103.75	106.27	101.38	101.30	104.20	99.32	-
Pacific Ex. Japan (387)	160.55	-19.8	145.48	141.63	149.00	166.76	-16.5	4.82	163.45	147.53	142.83	149.88	170.00	318.98	160.55	313.24
World Ex. Eurobloc (2110)	97.68	0.0	88.51	86.17	90.04	98.69	0.0	1.66	98.70	87.29	84.50	88.67	97.47	100.18	96.07	-
World Ex. US (1829)	211.78	13.7	191.91	186.84	195.23	190.23	15.4	1.89	211.22	190.65	184.57	193.67	189.60	220.18	175.30	200.80
World Ex. UK (2255)	281.11	14.0	254.72	247.98	258.13	258.39	14.9	1.51	278.38	251.24	243.29	255.23	256.10	287.02	234.24	240.89
World Ex. Japan (1981)	380.14	16.8	352.92	343.29	358.71	382.83	16.9	1.72	384.39	346.01	335.86	352.42	377.30	394.39	302.94	302.94
The World Index (2461)	280.83	14.2	262.63	255.66	267.17	288.43	15.0	1.65	287.00	259.05	250.78	263.16	283.08	286.57	241.30	245.52

 CONSTITUENT CHANGES DURING THE WEEK ENDING 5/6/98: Deletions: General Accident (UK), Havas Agence (France), [illegible] Central Corp (USA) and Long Island Lighting Co. (USA). Name changes: Commercial Union to CGU (UK), Ebro Agricolas to Azucarera Ebro Agricolas (Spain) and Koyama Corp to [illegible] Corp (USA). Market closed 5/6/98: Denmark.

NEW YORK STOCK EXCHANGE PRICES

4 pm close June 5

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev Close

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended.

♣ FT Free Annual Reports Club

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-6097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-6135. Reports will be sent the next working day, subject to availability. You can also order online at http:// www.icbinc.com/cgi-bin/ftl.

هكذا من الأصل

صكذا من الاهل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9037.71	8870.56	8803.80	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	104.81	104.72	104.75	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3326.39	3302.52	3290.58	3686.02 (16/4)	3194.36 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	292.36	290.18	290.52	292.36 (5/6)	262.66 (9/1)	292.36 (5/6/98)	16.53 (8/7/32)

DJ Ind. Day's high 9057.39 (8916.64) Low 8868.57 (8719.86) (Theoretical♦)
Day's high 9039.46 (8878.54) Low 8870.58 (8749.74) (Actual♦)

Standard and Poors	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1113.86	1094.83	1082.73	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials♥	1290.54	1275.80	1259.80	1311.48 (22/4)	1077.40 (9/1)	1311.48 (22/4/98)	3.52 (30/6/32)
Financial♥	134.38	132.48	131.46	140.83 (14/4)	110.85 (9/1)	140.83 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	575.37	566.35	561.43	585.82 (22/4)	487.47 (9/1)	585.82 (22/4/98)	4.64 (25/4/42)
Amex Comp	713.12	709.46	704.49	763.67 (22/4)	646.41 (12/1)	763.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Comp	1782.92	1769.95	1742.31	1917.81 (22/4)	1503.22 (9/1)	1917.81 (22/4/98)	54.87 (3/10/74)
Russell 2000	454.24	451.74	449.16	491.41 (21/4)	410.89 (12/1)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	May 29	May 22	May 15	Year ago
Dow Jones Ind. Div. Yield	1.60	1.56	1.56	1.73

	Jun 3	May 27	May 20	Year ago
S & P Ind. Div. yield	1.25	1.33	1.30	1.69
S & P Ind. P/E ratio	30.20	30.60	30.98	23.32

US DATA

MARKET ACTIVITY

● Volume (million)	Jun 5	Jun 4	Jun 3
NYSE	580.382	558.277	584.480
Amex	28.180	21.635	23.489
NASDAQ	683.822	710.930	736.114

NYSE	Jun 5	Jun 4	Jun 3
Issues Traded	3,485	3,499	3,519
Rises	1,890	1,632	1,408
Falls	894	1,242	1,556
Unchanged	601	625	555
New Highs	70	37	49
New Lows	69	80	98

NYSE TRADING ACTIVITY

Volume : 580,382,670

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
PhSvEG	8,690,700	33⅞	-⅛
BayNtwks	7,585,700	30½	-⅛
Compaq	7,111,400	28⅜	+⅜
PhMorr	6,934,300	39⅞	+2⅞
WrldLmb	5,809,300	62⅝	-1⅜
ArchDn	5,086,200	21	+2⅝
Mirola	4,346,300	51⅛	-⅛
FedMgl	3,830,400	58⅞	+⅜
Telebras	3,920,200	113⅝	+1⅛
IBM	3,783,100	118⅝	+2⅝

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
ArchDn	21	+2⅜	+12.8
Novacare	12⅛	+1⅛	+10.2
SCI Systm	34⅛	+3⅛	+10.1
Dv'sSh	21⅛	+1⅞	+9.4
Downs			
AppliedTch	21⅛	-1⅝	-7.4
TomHlr	64⅛	-4⅛	-5.9
Vencor	14⅞	-⅝	-4.4
Kirkbron Co	37	-1⅝	-4.2

NASDAQ TRADING ACTIVITY

Volume :683,822,346

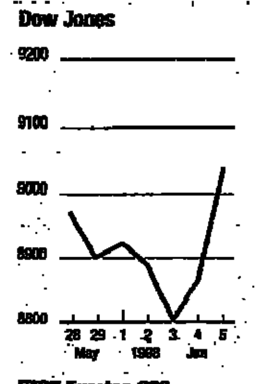
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
DSC Cm	25,866,900	26⅝	+2
DellComp	18,185,700	84⅞	+⅛
Intel	14,733,700	69⅞	+1⅝
MCI Cm	12,292,800	51⅞	-⅞
Oracle	10,242,000	25⅞	+1⅝
CiscoSys	9,239,700	77⅞	+⅜
WrldCm	9,110,600	45	-⅛
AscendCom	8,846,500	47⅝	+2⅝
Micsft	8,553,500	86⅝	+⅛
SunMic	7,984,500	45⅝	+⅞

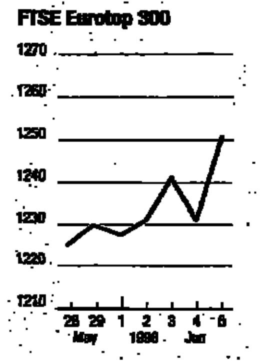
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Telco Sys	14⅝	+3⅛	+28.2
AppSin	14⅝	+1⅝	+13.0
Millcm	45⅝	+5⅝	+12.8
DastLog	15⅝	+1⅝	+12.6
Downs			
Dalply	25	-8⅛	-24.7
DII Grp	15	-2⅞	-15.8
IDEC Ph	27⅛	-4⅛	-13.1
QckRespSrv	30⅝	-3⅝	-10.0

Dow Jones



FTSE Eurotop 300



JAPAN

	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	15323.43	15426.47	15347.0	17264.34	14664.44	38915.9	85.25

Day's high: 15440.86. Day's low 15276.02.

TOKYO TRADING ACTIVITY

Volume : 290,000,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
LTCB	14,300,000	181	-18
Nikko Secs	9,126,000	549	+12
Daiwa Secs	5,633,000	584	-1
Fuji Bank	5,459,000	805	-45
Nissan Mtr	5,029,000	405	-5
Np Steel Cp	4,914,000	234	-2
Sumo Mt Ind	4,652,000	214	-3
Tokyo Gas	4,289,000	307	
Mitsui Chem	3,387,000	368	+7
Osaka Gas	3,301,000	324	+4

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Sawafuji Elct	260	+28	+12.1
Fukusuke Cp	240	+19	+8.6
Topre Cp	488	+38	+8.4
P.S. Cp	580	+40	+7.4
Downs			
Toa Wool Sp	150	-18	-10.7
Titan Kgy	260	-27	-9.4
LTCB	181	-18	-9.1
Ishikawa Seis	215	-17	-7.3

FRANCE

	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4185.05	4119.03	4149.37	4149.37	2862.54	4149.37	984.61

Day's high: 4188.68. Day's low 4149.76.

PARIS TRADING ACTIVITY

Volume : 657,387,410

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Alcatel	5,841,583	1211	+33
Euro Disney	1,734,706	11	+0.4
Vivendi	1,056,041	1269	+40
Rh-Poulenc A	750,382	345	+5
Usinor	738,014	105.3	-1.5
Paribas	733,889	608	-7
Schneider	635,426	511	+10
Fr.Telecom	630,033	361	+6
Elf Aquit.	548,516	874	+37
LVMH Moet	526,623	1347	+52

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Deville	108.7	+26.6	+32.4
Waeles	116	+26	+28.9
Cofidur	282	+57	+25.3
Lotdmancm	324	+44	+15.7
Downs			
SPS	331	-109	-24.8
AMF	654	-68	-9.2
Tele Image	70	-5.95	-7.8
Assoedat-Rey	320	-25	-7.2

GERMANY

	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5688.50	5592.48	5613.76	5844.29	4087.28	5844.29	931.18

Day's high: 5688.73. Day's low: 5636.09

FRANKFURT TRADING ACTIVITY

Volume : 17,389,082

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Daimler-Bz	634,781	179.8	+2.9
Bayer	389,837	84.85	+0.95
Hoechst	335,921	86.9	+0.55
Deut.Telkm	331,734	48.05	-0.95
BASF	330,420	83.25	+0.3
Commzbank	316,797	71.20	-0.25
RWE	309,223	100	+2.1
Siemens	289,867	115.35	+0.85
Continental	274,305	57.8	+0.9
Lufthansa	260,168	46.6	+1

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Bielefeld Ktn	88	+8	+10
Fielmann NV	59.5	+4	+7.2
Altana	149.9	+9.8	+7
Kilnerscraft-Pr	61.9	+3.9	+6.7
Downs			
Alcatel St	310	-25	-7.5
DT Widrstnk	159	-8	-4.8
Ahlers NV	475	-20	-4
Babcock-BSH	119	-5	-4

UK

	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5947.3	5860.8	5898.4	6105.80	5058.80	6105.8	986.9

Day's high: 5947.3. Day's low 5860.8.

LONDON TRADING ACTIVITY

Volume : 749,300,800

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Smith.Bcham	26,333,300	668½	+19½
Stan Electric	15,726,780	548	+5
Shell T&T	13,303,080	449¾	+9
Signet Grp	11,583,270	48¾	+½
Tamaris	11,300,720	2	
BP	11,040,500	918	+25
Centrica	10,627,080	105½	+2
Ntlhm Foods	9,674,680	235	+6
Brit.Airways	8,979,426	660½	+8½
BT	8,967,348	653	+2

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Usher Trow	127½	+25½	+25
Upton & Stns	3¾	+¾	+25
Epic Mltmdia	20¼	+3	+17.4
SEP Inds	30½	+3¾	+14.0
Downs			
Tams (J.)	24½	-4	-14.0
Portmeirion	242½	-32½	-11.8
Intell Env	55½	-6	-9.8
Goodwin	80	-8	-9.1

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	1097.50	1117.40	+19.70	1117.90	1094.70	141,274	306,422
Sep	1113.00	1129.50	+19.90	1129.80	1109.00	19,451	91,893
■ Nikkei 225							
Jun	15390.0	15310.0	-110.0	15390.0	15240.0	16,990	154,285
Sep	15370.0	15320.0	-90.0	15390.0	15250.0	3,395	75,002

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	4164.0	4165.0	+63.0	4174.0	4163.0	12,146	50,028
Jul	4158.0	4170.5	+62.5	4177.0	4148.0	1,078	849
■ DAX							
Jun	5678.0	5737.0	+124.5	5741.5	5661.0	21,145	126,174
Sep	5728.0	5786.0	+125.5	5788.0	5716.0	1,522	19,505

■ OMX	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jun	768.50	785.00	+26.00	785.50	758.00	13,019	125,829
Jul	780.25	787.00	+25.50	788.00	779.25	339	1,333
■ SOFFEX							
Jun	7608.9	7714.0	+134.0	7717.0	7600.0	4,734	22,898
Jul	7687.5	7716.0	+134.0	7716.6	7667.5	48	2,792

WORLD MARKETS AT A GLANCE

Country	Index	Jun 5	Jun 4	Jun 3	1998 High	1998 Low	Yield	P/E
Argentina	General	20952.85	20726.92	20549.61	23495.47 23/3	18237.49 2/1	3.13	18
Higher on positive reaction to results for steel company Siderca.								
Australia	All Ordinaries	2642.8	2658.4	2662.0	2881.40 16/4	2542.40 12/1	3.38	19.8
	All Mining	587.5	590.8	593.0	713.10 23/4	582.20 13/1		
Shares headed lower as the market weighed confirmation of central bank action in support of the embattled local currency.								
Austria	Credit Aktien	(c)	567.64	569.91	594.34 26/5	437.44 13/1	1.43	16.6
	ATX Index	1578.21	1576.40	1587.70	1628.86 26/5	1245.89 13/1		
Weak demand for heavyweight industrials helped broad market to edge marginally ahead.								
Belgium	BEL20	3321.35	3271.24	3280.35	3321.38 5/6	2357.78 10/1	1.77	21
Strong financials, led by takeover candidate Generale Bank, contributed to another record-setting run by broad market.								
Brazil	Bovespa	10370.0	10191.0	9856.0†	12259.00 15/4	8118.09 9/1	na	na
Wall Street rally and more support for re-election of President Fernando Henrique Cardoso gave bourse a lift.								
Canada	TSE 100♦	460.86	459.00	459.14	476.83 25/5	380.03 12/1	1.52	22.9
	Metals Minls♦	3596.75	3578.38	3592.19	4380.01 10/3	3442.35 12/1		
	Composite♦	7508.20	7485.40	7493.20	7822.30 22/4	6239.86 12/1		
	Portfolio§§	3860.28	3837.92	3836.98	3965.81 25/5	3234.41 12/1		
Banks and golds weaker as market ignored Wall Street rises.								
Chile	IGPA Gen♥	4283.41	4266.39	4260.56	4861.95 17/3	4242.57 2/6	2.96	14
Closed up on optimism that government was preparing tax reforms and other measures to bolster stocks.								
China	Shanghai B	45.10	45.74	47.32	59.58 10/2	48.88 12/1	0.82	35.2
	Shenzhen B	92.10	92.78	92.18	98.57 10/2	77.98 12/1		
Foreign selling pushed hard-currency B shares down, in line with weak performance in Hong Kong.								
Colombia	IBB	1125.08	1136.82	1165.99	1431.46 7/1	1125.08 5/6	na	na
Closed down for fifth session in a row in wake of higher local interest rates.								
Czech Republic	PX 50	447.3	450.6	448.3	517.30 23/3	448.20 2/6	na	na
Komercni banka recouped ground after early tumble on unfounded rumour bank would be placed under forced administration.								
Denmark	CopenhagenSE	(c)	735.41	736.39	778.84 7/4	667.88 12/1	1.34	23.2
Egypt	Cairo SE Gen	(c)	368.23	364.0	393.19 21/4	345.49 2/2	na	na
In Sunday trading, the Capital Market Authority all-share index rose 2.68 points to close at 370.91.								
Finland	HEX General	4896.87	4798.91	4789.83	5026.84 11/5	3229.43 12/1	2.12	16.1
Nokia took its lead from strong US technology shares and main indices kept up with rises in neighbouring markets.								
France	SBF 250	2710.65	2675.92	2690.38	2710.65 5/6	1873.18 12/1	2.27	19.2
	CAC 40	4185.05	4119.03	4149.37	4185.85 5/6	2862.54 12/1		
Shares ended at record high as motors stayed strong and oil stocks bounced when international oil price regained $14.50.								
Germany	FAZ Aktien	1789.37	1772.22	1773.75	1798.98 26/5	1334.15 12/1	1.34	23.8
	Commerzbank	5291.40	5250.70	5255.70	5321.90 26/5	3928.29 12/1		
	DAX‡	5688.50	5592.48	5613.76	5688.50 5/6	4087.28 12/1		
Motor stocks in limelight with Vickers' decision to accept VW's bid for Rolls-Royce Motor Cars over that of BMW.								
Greece	Athens SE	2582.82	2567.21	2581.24	2869.73 25/5	1380.13 29/1	1.64	26.3
	FTSE/ASE 20	1524.20	1530.04	1540.62	1691.88 5/5	786.38 29/1		
Late surge in industrials trimmed overall losses but banks and constructions remained out of favour.								
Hong Kong	Hang Seng	8589.47	8558.43	8819.22	11810.83 25/3	8121.06 12/1	4.6	8.9
	HSCC Red Chip	1080.38	1087.53	1112.11	1775.09 27/2	964.58 12/1		
Cautious investors stuck to sidelines, awaiting US payroll data expected later in the day.								
Hungary	Bux	8114.50	7817.89	7718.28	9016.38 23/4	7840.35 28/5	na	na
Shares clawed back post-election losses for third straight day as bargain hunters remained active.								
India	BSE Sens.	3417.89	3546.21	3597.98	4280.86 21/4	3289.55 28/1		
	Crisil 500	664.89	695.51	704.46	815.82 21/4	594.38 29/1	na	na
Market dropped to three-and-a-half-month low on heavy selling by foreign funds, as local investors unwound positions.								
Indonesia	Jakarta Comp.	409.52	406.33	392.61	554.19 2/2	342.97 9/1	2.4	16
Late demand for Gudang Garam and Indosat pushed market ahead, although little enthusiasm shown for Frankfurt debt deal.								
Ireland	ISEQ Overall	5029.52	4967.08	5025.80	5471.61 21/4	4064.76 2/1	1.89	20.8
Market rallied as investors took heart from lively performance in international markets.								
Israel	Tel Aviv 100	(c)	331.00	332.57	336.05 26/5	263.12 11/2	na	na
In Sunday trading, the benchmark Tel Aviv 100 index ended 5.48 points higher at 336.48 after successful public offerings.								
Italy	BCI Comit 30	354.84	350.14	351.33	380.53 6/4	254.84 2/1	1.33	31.1
	Banca Com Ital.	1520.53	1502.81	1509.12	1654.38 7/4	1072.35 2/1		
	Mibtel General	24220.0	23921.0	24014.0	26377.00 6/4	17206.00 2/1		
Shares ended near highs on partial recovery in banks after news Banca di Roma's plans for merger with BCI were off.								
Japan	Nikkei 225	15323.43	15426.47	15347.0	17264.34 2/3	14664.44 12/1	0.81	41.8
	Nikkei 300	237.12	238.24	237.64	257.43 10/2	224.85 12/1		
	Topix	1201.94	1207.50	1205.33	1309.30 10/2	1120.81 12/1		
	2nd Section	1288.95	1288.65	1294.42	1401.27 12/2	1173.76 14/1		
Concerns about exposure of the banking sector to weak companies re-emerged after collapse of Mitsui Wharf.								
Jordan	Amman SE	(c)	(c)	174.90	182.63 18/5	164.64 30/1	na	na
In Saturday trading, the Amman index was down 2.18 per cent to 171.09 points after selling of Arab Bank, trade said.								
Malaysia	KLSE Comp.	505.05	518.61	526.36	746.36 27/2	477.57 12/1	3.09	12
Uncertainties about operations of new debt agency, set up by government, sent equity market lower.								
Mexico	IPC	4601.26	4592.01	4455.24	5204.00 2/1	4413.52 1/6	1.35	10.7
Early gains knocked back by profit-taking.								
Morocco	CASA	526.32	823.09	819.77	836.76 18/5	526.32 5/6	na	na
Netherlands	CBS TRtnGen	1397.9	1386.0	1400.2	1412.80 25/5	1045.20 12/1	1.72	25.5
	CBS All Shr	791.3	784.8	792.6	799.70 25/5	599.29 12/1		
KDN PTT led market higher as countdown to the break-up of the company started in earnest.								
New Zealand	Cap. 40	2135.70	2152.04	2155.18†	2350.02 20/3	2133.98 3/6	4.11	20.5
Looming threat of credit rating downgrade by Moody's sent shares down to lowest levels in almost two years.								
Nigeria	SE All-Share	5953.63	(u)	(u)	6504.97 11/2	2236.40 12/1	na	na
Norway	Oslo SE Ind	2180.90	2138.18	2133.98	2370.68 4/5	1899.91 12/1	1.6	16.9
Strengthening oil prices and gains in other markets helped shares to stage broad advance.								
Pakistan	Karachi SE	1087.51	1044.44	1059.39	1748.31 2/1	911.44 1/6	na	na
Demand for blue chips, including Hub Power, sent market higher, although selling by foreign funds restricted the gains.								
Peru	Lima Gen	1810.84	1780.82	1784.63	1993.91 4/5	1652.60 25/2	na	na
Philippines	Manila Comp	1957.78	1953.88	1928.99	2311.42 25/3	1518.09 9/1	1.32	13.7
Bargain-hunting helped prices slightly higher as investors chose to overlook rise in May inflation to 23-month high.								
Poland	WIG	15786.2	15442.9	14955.6	18582.70 11/3	13228.80 12/1	1.35	12.6
Shares extended sharp rebound although market squaring up for next week's banking group Pekao offering.								
Portugal	BVL 30	5544.16	5364.36	5488.49	6176.99 22/4	3879.27 2/1	1.63	42.2
	PSI 20	12658.39	12235.41	12533.88	14292.99 22/4	9031.84 2/1		
Demand from institutional funds and foreign investors helped market higher.								
Russia	RTS	207.85	208.61	209.07	411.61 5/1	171.71 1/6	na	na
Little changed in day of thin, range-bound trade.								
Singapore	SES All-S'pore	324.21	326.45	334.49	437.98 19/3	324.21 5/6	2.72	13.8
	Straits Times	1168.48	1187.74	1219.80	1698.76 19/3	1073.47 12/1		
Heavy selling of banks and other blue chips, on worries over their exposure to regional economies, sent market lower								
Slovakia	SAX	112.16	111.87	111.94	182.48 5/1	18.02 13/5	na	na
Foreign demand reported for Slovnaft helped broad market higher.								
South Africa	JSE All Share	7491.1♥	7516.3	7569.9	8358.70 20/4	5588.00 12/1		
	JSE Gold	879.8♥	895.1	903.3	1101.58 24/4	672.60 18/3		
	JSE Indl.	9038.7♥	9087.1	9123.6	9842.70 20/4	6715.10 12/1	2.66	13.7
Volumes rose to near-record levels although shares continued to slip lower.								
South Korea	KoreaCompEx**	341.53	(c)	332.46	574.35 2/3	311.99 26/5	1.56	14.8
Stock market closed on Saturday for Memorial Day. Re-opens today. Index closed up 9.07 points to 341.53 on Friday.								
Spain	Madrid SE	894.35	881.40	883.36	938.83 6/4	645.14 12/1	1.72	28
Gas Natural up strongly, benefiting from Repsol natural gas deal earlier in week with Amoco.								
Sri Lanka	CSE All Share	667.90	677.40	685.90	789.70 4/5	668.90 26/1	na	na
Broadly based selling by foreign investors, together with local liquidation of plantation stocks, sent market lower.								
Sweden	AffarsvarldnGen	3786.5	3693.1	3700.2	3794.50 26/5	2853.10 12/1	1.77	22.6
Astra marked sharply higher on news it was in talks to restructure US joint venture with Merck.								
Switzerland	SMI Index	7699.5	7592.9	7676.3	7827.70 6/4	6062.19 12/1	1	30.8
	SPI General	4859.79	4801.05	4836.02	4864.99 26/5	3781.36 12/1	na	na
UBS and SBC at centre of attention after New York banking department agreed to merger plan.								
Taiwan	WeightedPr.**	7505.58	7425.98	7643.20	9277.09 2/3	7376.14 12/1	1.23	21.8
In Saturday trading, the weighted index closed up 131.15 points, or 1.75 per cent, at 7,636.73. Trading volatile.								
Thailand	Bangkok SET	318.16	318.81	313.21	558.92 3/2	313.04 1/6	3.21	42.7
Concerns over economic problems and likely continuation of high interest rate regime sent stocks marginally lower.								
Turkey	IMKB Nat 100	4080.03	4012.26	3773.51	4365.77 22/4	2777.08 10/2	2.39	20.3
Market in upbeat mood extending rise over week to 9.4 per cent.								
Venezuela	IBC	5724.75	5993.12	5975.98	7856.92 23/3	5724.75 5/6	na	na
New oil price rescue package lit a fire under shares, up for the second successive session.								
Zimbabwe	ZSE Industrial	7594.41	7439.69	7382.01	8795.71 31/3	6585.30 12/5	na	na
Financials still supported by week's news that IMF would offer balance of payments support.								
WORLD	FT/S&P Wld($)	289.83	287.00	285.48†	296.57 15/4	243.98 9/1	na	na
	MS Capital WS	1069.9*	1065.3	1059.5	1094.88 15/4	888.50 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	3379.58	3327.96	3344.90	3396.08 6/4	2574.51 12/1		
	DJ Euro Stx 50	3421.56	3375.03	3399.22	3424.55 26/5	2469.81 12/1		
	FTSE E300	1251.23	1231.18	1241.21	1263.83 6/4	971.83 12/1		
	FTSE E100	2872.48	2819.70	2845.00	2928.66 6/4	2236.40 12/1	na	na
	HSBC Drgn	(u)	195.31	200.86	273.91 26/3	189.25 12/1	na	na
	ING Brngs Emrg	134.87	133.37	134.51	160.08 22/4	125.19 12/1	na	na

** Sat May 30: Taiwan Weighted Price (c): Korea Comp Ex 332.03. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Jun 5: 5724.75 +118.37. † Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ⚘ Yields and P/E ratios are based on Datastream Total Market indices. ⚘ Midsession.

THE NASDAQ STOCK MARKET

4 pm close June 5

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

THE NASDAQ STOCK MARKET

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close June 5

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5.25	+0.125	198240	6.375	2.25	Gruppo Formula	ITL48500	-500	1515	85500	14250
Algol♣	ITL43250	+700	1000	44500	13250	Imagenetics	US$64.75	+0.375	50153	74.0	9.875
Artwork Systems	US$18.875		20891	21.125	5.875	Integr. Surg. Syst.♣	DEM10.9	+0.1	280	12.2	7.10
Chemunex♣	FFr21	+4.5	168680	21	8.5	Lernout & Hauspie	US$52.6875	+1.4375	18202	65.25	12.825
City Bird Holding	US$9.75	-0.0625	3275	10.3125	6.875	Melexis	US$18.5	-0.5	24285	20.0625	7.375
Debonair Holdings	GBP2.05	-0.1	16500	7.10	1.70	Memor Int'l♣	US$10.5	-0.125	0	12.875	8.125
Dr Solomon's	US$33	+4.875	8256	44.25	20.375	NTL	US$41.5	+1	100	47.25	20.5
EDAP TMS	US$5.375	-0.0625	700	9.125	5.125	Option Int'l	US$50.125	+0.5	70560	67.63	10.88
ESAT Telecom	US$35.0625	+0.25	0	37.5	19.5	PixTech♣	US$5.875		5140	7.625	2.125
Espace Prod. Int.	FFr113.5	-0.25	10570	121.25	89.3	Royal Olympic	US$13		0	18.5	13
Esprit Telecom	US$17.5	-0.125	208	19.125	4.875	Schoeller-Bleckmann♣	Sch1688	+28	2800	1795	954
Eybl International	Sch690		200642	690	690	Topcall Int'l♣	Sch3393	+30	6048	3415	622
Global TeleSystems	US$37.875	-0.125	215	48.88	25.75	Turbodyne Technol.♣	US$8.93	+0.03	36460	10.58	2.1
Granger Telecom	US$22.375	+0.5	3050	27.25	14.688						

Prices for 5/6/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: http://www.easdaq.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 8980). Annual/interim reports can be obtained for companies with a ♣ marked in this box. For further details please see London Share Service pages. For further details please telephone Annual Reports Service +44 181 770 0770.

VII

RGY

ica

FT GUIDE TO THE WEEK

MONDAY 8

United front on drugs

Heads of state including US president Bill Clinton and British prime minister Tony Blair attend a special three-day session of the United Nations general assembly in New York on how to tackle the international drug problem. A draft declaration prepared for the meeting aims to cut drastically both illicit supply and demand for drugs within 10 years, with a programme that includes stronger controls on precursors, action on amphetamine-type stimulants, more judicial co-operation and an international approach to drug crop eradication strategies. The UN says worldwide heroin abuse has been increasing in recent years and there has been a big jump in the use of "lifestyle" drugs such as ecstasy.

Boris goes to Bonn

Russian President Boris Yeltsin arrives in Bonn this evening, accompanied by seven government ministers, for talks lasting until Tuesday lunchtime with the German government at the first formal German-Russian "consultation". Chancellor Helmut Kohl will be looking, in particular, for ways of using Russia's influence over Serbia to control the worsening conflict in Kosovo. But Russia's financial crisis – and possible German help in conjunction with the International Monetary Fund – is also high on the agenda.

Net losses

European Union fisheries ministers are expected to approve a ban on the use of drift nets on the high seas as part of efforts to protect dolphins. The prohibition is likely to be opposed by Italy and France, but the support of other nations is expected to be enough to provide a qualified majority. The ban is scheduled to come into effect in March 2001. Fishermen will be offered various forms of aid as recompense.

View of Kosovo

European Union foreign ministers meeting in Luxembourg will discuss the Kosovo crisis and are expected to adopt a common position, including implementation of the ban on any new investment in Serbia.

FT Survey

Spain.

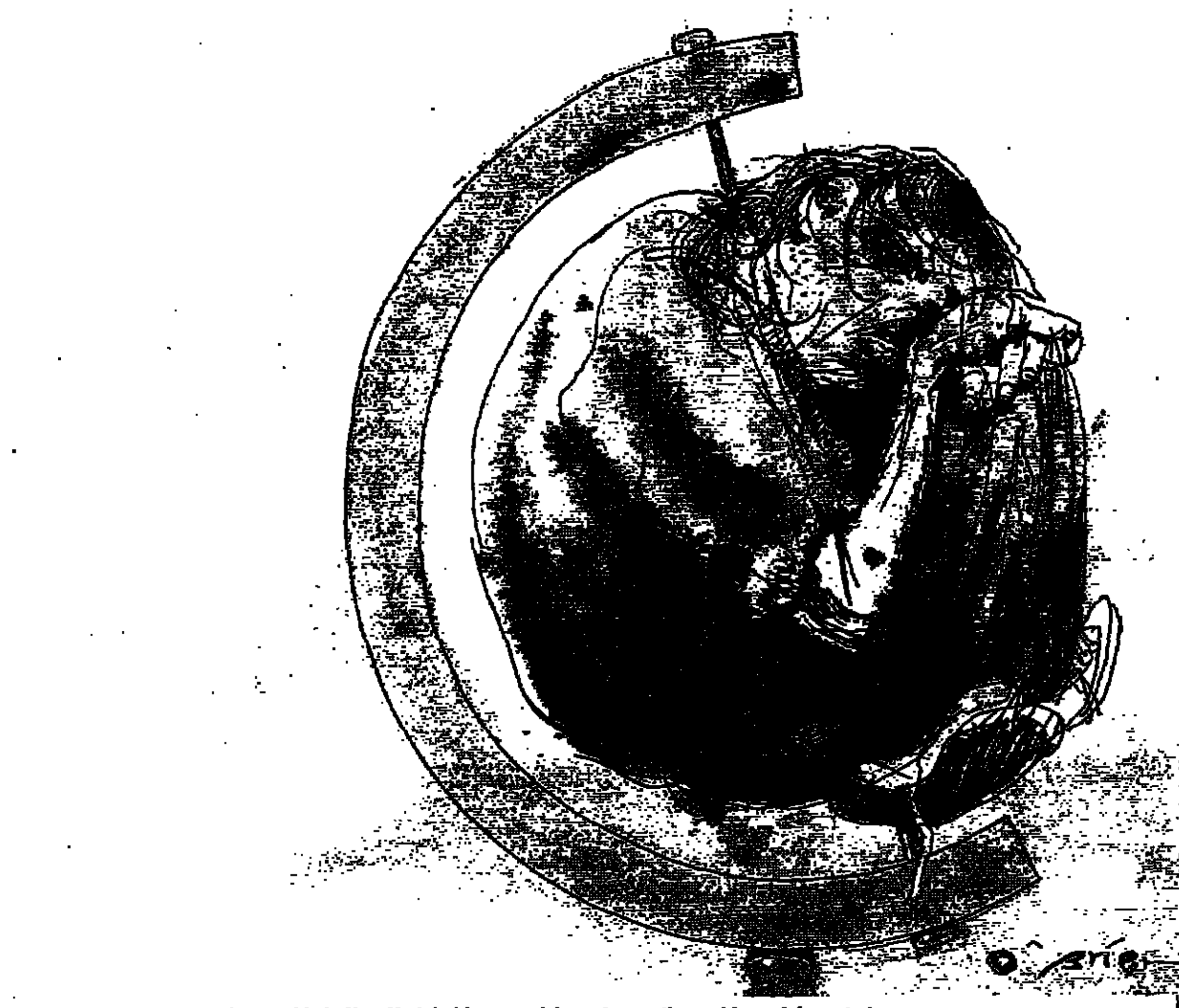
Holidays

Cyprus, Argentina, Australia, Greece, Ukraine.

TUESDAY 10

Insurance pact

Japan and the US will hold talks in Tokyo to review the progress made in their 1996 insurance agreement. Under the previous agreement, Japanese companies will be allowed after 2001 to enter the "third sector", covering all other

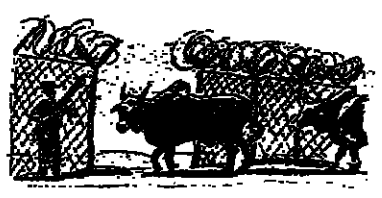


The United Nations general assembly in New York holds a special session on the problem of drugs today

insurance products, on condition that Japan's life and non-life sectors are fully deregulated by July 1. This market is currently dominated by foreign companies. The US has complained that Japan's efforts so far have been insufficient and is likely to press for more complete liberalisation.

Border mission

Hyundai group founder Chung Ju-yung visits North Korea to deliver 500 head of cattle as part of a charitable donation to help relieve food shortages; Hyundai



plans to give 1,000 oxen to the struggling North and it is the first time either businessmen or cattle have crossed the heavily guarded border.

Voices for charity

Italian tenor Luciano Pavarotti joins the four remaining Spice Girls, Stevie Wonder, Celine Dion, Jon Bon Jovi, and the Corrs among other musical stars for a benefit concert in Modena, Italy, to aid a children's charity in war-torn Liberia; the concert's video and film of the event will be directed by American film director Spike Lee.

Eurobank session

The full policy-making council of the European Central Bank, comprising the board and the national central bank governors from within the euro area, meets in Frankfurt. The board is expected to set its choice of monetary policy instrument.

OECD meets on Russia

Working Party III of the Organisation for Economic Co-operation and Development meets in Paris; deputies of the Group of Seven industrial nations are also likely to meet in light of the OECD gathering to discuss urgent issues such as Russia and currency movements.

Euro in the slot

The European Vending Association holds a conference in Brussels on "Euro and vending: challenges and solutions"; speakers include European Commissioner Yves-Thibault de Silguy and the agenda includes the methods of introduction of the euro; concerns and solutions for vending machine operators and how the new coinage can be successfully introduced.

Transition troubles

The European Parliament holds a symposium in Brussels entitled "From Euro to Europe: What are the challenges of the Transitional Phase 1999-2002?" European Parliament deputy and chairwoman of the subcommittee on monetary affairs Christa Randzio-Plath and European Commissioners Yves-Thibault de Silguy and Emma Bonino are among the speakers.

FT Surveys

World Energy Review, Business Books.

Holidays

Bangladesh, Sri Lanka.

WEDNESDAY 11

Capital ideas

Kazakhstan, which declared Akmola as the country's new capital last December, now presents it to foreign leaders, diplomats and investors; however, on May 6, Kazakhstan's president Nursultan Nazarbayev announced that Akmola will be renamed Astana, meaning "capital" in Kazakh.

Videla testimony

Former Argentine military junta leader Jorge Videla testifies in court in Buenos Aires on the fate of two left-wing guerrilla leaders who disappeared shortly after the 1976 coup.

Greenspan looks forward

Federal Reserve Chairman Alan Greenspan testifies on monetary policy and the outlook for the US economy

Reporting Britain, FT Exporter (European editions only).

Holidays

Austria, Germany, Poland, Portugal, Brazil, Chile.

FRIDAY 13

Nuclear reaction

Foreign ministers of the world's eight leading industrialised countries meet in London to co-ordinate their approach to India and Pakistan following their recent series of nuclear tests; British foreign secretary Robin Cook hosts the meeting.

Island history

The Philippines celebrates the 100th anniversary of its declaration of independence from Spain. The declaration was premature: the US, which went to war with Spain in 1898, paid Madrid $20m for the Philippines and went on to administer the islands for nearly half a century.

Arafat visits Rome

Palestinian leader Yassir Arafat visits Rome to meet Pope John Paul II, Italian prime minister Romano Prodi and president Oscar Luigi Scalfaro.

Lagos protests

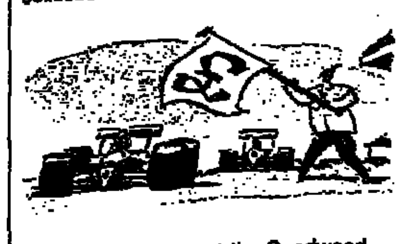
Nigerian opposition groups plan protests against military rule to coincide with the fifth anniversary of annulled presidential elections.

Smoking call

UK public health minister Tessa Jowell addresses an international conference on smoking called under the UK presidency of the European Union at the Cafe Royal, London.

Successful formula

Brooks sale of the Tyrrell Formula 1 collection of cars and related



components is held at the Goodwood Festival of Speed. Contact 0171 228 8000.

Holiday

Philippines, Poland, Russia.

SATURDAY 14

Trooping the colour

The traditional military parade and trooping of the colour to celebrate Queens Elizabeth's birthday is held on Horse Guards Parade in London.

Rugby Union

International matches. Sydney: Australia v Scotland. Bloemfontein: South Africa v Ireland.

Holiday

Kyrgyzstan.

SUNDAY 15

Lebanese poll

Final day of the first local elections in Lebanon for 35 years. The elections will not cover areas occupied by Israeli troops and their local militia allies in south Lebanon.

Cairo appeal

The Cairo high court starts hearing the appeal filed by the wife of Libyan former foreign minister Mansour Kikhia in connection with his alleged abduction in Cairo and murder in Libya.

Motor cycling

Round seven of the world motor cycle road racing championships in the 125cc, 250cc and 500cc classes is held at Estoril, Spain.

Holiday

Iran.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: Factory gate prices in the UK are expected to have fallen again last month to an annual rate of increase of 0.2 per cent. Core output price inflation is forecast to hit a new 30-year low.
Tuesday: Industrial production in the UK and Germany can be contrasted, with the release of data for April in both countries. Manufacturing is thought to have been weak in each during the month. The difference is that Germany's annual output is still growing faster than 4 per cent, while the UK's will probably remain in recession.
Wednesday: Central bankers in action, with a speech by Alan Greenspan, chairman of the US Federal Reserve, and the minutes of the UK's Monetary Policy Committee meeting in May published.
Thursday: US retail sales could be substantially higher through strong spending on new cars. The median forecast is for annual growth of 5.7 per cent.
Friday: Euro-zone inflation prospects to be seen in May consumer price indices for France and Spain. Spain's annual figure of 2 per cent likely to be double that of France (1 per cent).

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	May producer price index input*	0.0%	-0.9%
June 8	UK	May producer price index input**	-9.0%	-9.0%
	UK	May producer price index output*	0.1%	0.1%
	UK	May producer price index output**	1.0%	1.0%
	UK	May prod' pr'indx ex food/drink/tob**	0.2%	0.2%
	UK	May British Retail Consortium survey		5.7%
	Japan	May overall wholesale price index*		0.0%
	Japan	May overall wholesale price index**		-2.7%
	Japan	May domestic wholesale price index**		-2.3%
Tues	Germany	May unemployment† pan Germany	-20k	-25k
June 9	Germany	May unemployment† west	-15k	-14k
	Germany	May unemployment† east	-5k	-10k
	Germany	Mar employment† west	10k	4k
	Germany	May vacancies† west		10k
	UK	Apr industrial production*	0.3%	0.7%
	UK	Apr industrial production**	0.4%	1.1%
	UK	Apr manufacturing output*	0.0%	0.0%
	UK	Apr manufacturing output**	0.4%	0.3%
	US	Apr wholesale inventories		0.5%
	US	Apr wholesale sales		1.1%
	Germany	Apr industrial production pan Germ'y*	-0.4%	0.8%
	Germany	Apr manufacturing output pan Germany*	-0.09%	1.6%
	Germany	Apr industrial production west*		0.5%
	Germany	Apr industrial production east*		1.3%
Thurs	Japan	Apr machinery orders ex elec'/ships**		1.4%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
June 11	US	May retail sales	0.7%	0.5%
	US	May retail sales ex automobiles	0.4%	0.5%
	US	May export price index		-0.3%
	US	May import price index		-0.1%
	US	May monthly M1	-$7.2bn	-$1.6bn
	US	May monthly M2	$0.8bn	$33.0bn
	US	May monthly M3	$22.8bn	$47.0bn
Fri	France	May consumer price index prel**	0.5%	0.3%
June 12	US	May producer price index	0.1%	0.2%
	US	May producer price indx ex food/energy	0.1%	0.2%
	US	Apr buisness inventories	0.3%	0.5%
	US	May Atlanta Fed index		19.9
	US	June Michigan Sentiment prel**	108.5	106.5
During the week...				
	Germany	May final cost of living* west		0.3%
	Germany	May final cost of living** west		1.4%
	Germany	May cost of living* pan Germany	0.3%	0.3%
	Germany	May cost of living** pan Germany	1.2%	1.4%
	Germany	Apr retail sales, real not†**	-1.3%	1.5%
	Germany	Apr retail sales, real†*	-1.4%	-0.5%
	Japan	Apr current account (IMF) not†		Y1.06tn
	Japan	Apr trade balance (IMF) not†		Y1.01tn
	Japan	Apr foreign bond investment		-Y1.3tn
	Japan	Q1 gross domestic product†		-0.7%

*month on month, **year on year, †seasonally adjusted. Statistics, courtesy Standard & Poor's MMS.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 07.06.98: Pool purchase price £/MWh	Final Prices for Trading on 10.05.98: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.14	11.64	12.36	0.99
0100	11.39	11.64	12.36	0.99
0130	11.39	11.64	12.36	0.99
0200	11.39	11.64	12.36	0.99
0230	11.39	11.64	12.36	0.99
0300	11.39	11.64	12.36	0.99
0330	11.39	11.64	12.36	0.99
0400	11.39	11.64	12.36	0.99
0430	11.39	11.64	12.36	0.99
0500	9.43	11.64	12.36	0.99
0530	9.34	13.23	13.96	0.99
0600	9.34	10.24	10.24	0.00
0630	9.34	11.48	12.20	0.99
0700	9.50	11.48	12.20	0.99
0730	11.46	13.23	13.96	0.99
0800	11.46	13.23	13.96	0.99
0830	11.95	11.48	12.20	0.99
0900	11.46	11.48	12.20	0.99
0930	12.75	13.97	14.69	0.99
1000	12.04	15.11	15.83	0.99
1030	13.76	15.59	16.32	0.99
1100	16.18	15.59	16.32	0.99
1130	16.18	15.59	16.32	0.99
1200	17.95	15.59	16.32	0.99
1230	17.95	15.69	16.32	0.99
1300	17.95	15.59	16.32	0.99
1330	17.95	15.59	16.32	0.99
1400	15.16	14.13	14.85	0.99
1430	15.16	14.13	14.85	0.99
1500	15.16	14.13	14.85	0.99
1530	9.63	10.50	10.50	0.00
1600	9.61	10.24	10.24	0.00
1630	13.76	10.22	10.22	0.00
1700	15.16	14.13	14.85	0.99
1730	15.16	15.08	15.80	0.99
1800	17.95	15.16	15.88	0.99
1830	17.95	15.16	15.88	0.99
1900	15.16	15.16	15.88	0.99
1930	15.16	15.16	15.88	0.99
2000	16.16	15.16	15.88	0.99
2030	9.61	14.13	14.85	0.99
2100	9.61	16.68	17.41	0.99
2130	13.76	17.28	18.01	0.99
2200	15.16	17.28	18.01	0.99
2230	15.16	17.28	18.01	0.99
2300	15.16	17.28	18.01	0.99
2330	13.76	16.68	17.41	0.99
2400	12.39	11.98	12.70	0.99

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.00/MWh becomes 1.600p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 08.06.98: Pool purchase price £/MWh	Final Prices for Trading on 11.05.98: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.85	11.38	11.41	1.36
0100	9.43	10.24	10.24	0.00
0130	11.95	11.98	11.41	1.36
0200	11.95	11.98	11.41	1.36
0230	11.95	11.98	11.41	1.36
0300	11.85	11.98	11.41	1.36
0330	11.85	11.98	11.41	1.36
0400	11.85	11.98	11.41	1.36
0430	11.85	11.98	11.41	1.36
0500	9.43	10.50	10.50	0.00
0530	12.37	10.55	10.55	0.00
0600	9.56	10.00	10.00	0.00
0630	9.56	10.60	10.60	0.00
0700	13.32	10.74	10.74	0.00
0730	13.57	23.10	23.10	0.00
0800	19.76	22.01	21.59	1.36
0830	21.02	27.32	27.00	1.36
0900	25.97	34.39	34.36	1.36
0930	42.25	68.51	68.77	1.36
1000	46.19	71.69	72.40	1.36
1030	38.25	49.44	50.70	1.36
1100	43.09	56.20	57.89	1.36
1130	49.28	58.92	60.94	1.36
1200	53.04	76.89	78.08	1.36
1230	63.13	75.67	77.80	1.36
1300	50.78	71.64	73.09	1.36
1330	48.17	44.94	45.79	1.36
1400	48.85	43.19	43.79	1.36
1430	45.33	42.45	42.94	1.36
1500	46.32	41.24	41.52	1.36
1530	47.90	40.85	41.14	1.36
1600	56.30	41.86	42.41	1.36
1630	78.39	47.27	48.22	1.36
1700	102.96	73.12	74.27	1.36
1730	82.19	71.33	72.16	1.36
1800	44.04	43.57	43.87	1.36
1830	27.90	32.55	32.26	1.36
1900	22.53	22.76	22.24	1.36
1930	20.99	21.44	20.88	1.36
2000	22.34	22.58	21.99	1.36
2030	22.09	14.01	14.01	0.00
2100	20.11	21.45	20.90	1.36
2130	28.33	42.09	41.54	1.36
2200	28.30	43.50	42.96	1.36
2230	28.27	35.82	35.26	1.36
2300	25.91	29.47	28.90	1.36
2330	18.09	22.21	21.64	1.36
2400	18.09	22.21	21.64	1.36

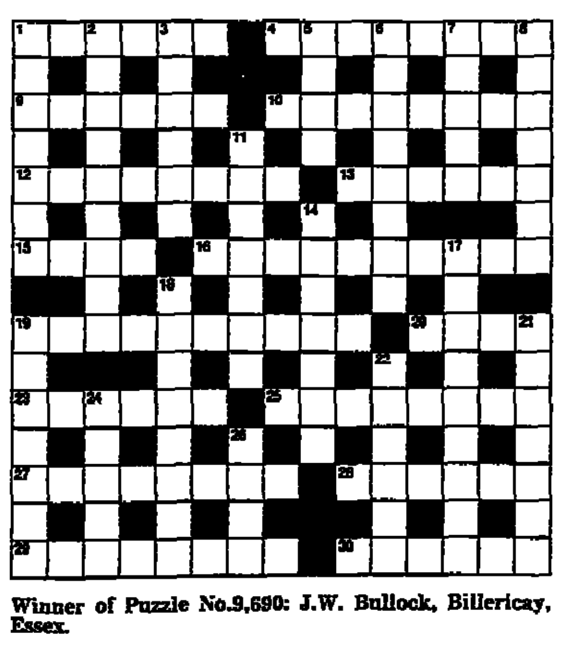
Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.00/MWh becomes 1.600p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of [illegible]

ACROSS

1 Spring tide? (6)
4 An example of batting position (8)
9 Dictator in car waves back (6)
10 It is brought in to resist on the other side (8)
12 Walkers or climbers, perhaps (8)
13 Standard issue for a minister (6)
15 Staff officer has small house in London area (4)
16 Quits the board, getting a fair settlement (6,4)
19 Acts concerning gratuities (10)
21 Common complaint of many of advanced years (4)
23 Umpire misinterpreted foul (6)
25 Having the early turn can be tough (8)
27 Very frightened, I take a short rest before I can reorganise (2,1,5)
28 Go off to find another partner (6)
29 Well done! A fine performance (4,4)
30 Adopt and raise (4,2)

DOWN

1 Vessels assigned to protect different sectors (7)
2 Shipmates set off in this vessel (9)
3 Supply with power? (6)
5 Pinches drinks (4)
6 Deceitful pair confronted (3-5)
7 They're proverbially hard things to drive home (5)
8 Learnt the third movement with lasting result (7)
11 One may peg out playing it (7)
14 The cutlery is a mess (7)
17 Free from blame (9)
18 Arrested, perhaps, and recovered tyres (8)
19 Taking the offensive is a help in the boxing arena (7)
21 Excursion ending at nightfall (3,4)
22 Anthea may be the personification of wisdom (6)
24 A plot to translate ancient Greek (5)
26 Today's most popular writer? (4)



Winner of Puzzle No.9,690: J.W. Bullock, Billericay, Essex.

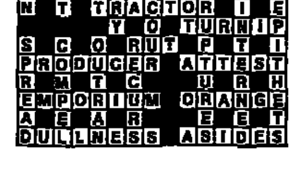
MONDAY PRIZE CROSSWORD
No.9,702 Set by DANTE

A magnum of Laurent Perrier Rosé champagne for the first correct solution opened. This prize is available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a stainless steel FT desk clock. Solutions by Thursday June 18, marked Monday Crossword 9,702 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday June 22. Please allow 28 days for delivery of prizes.

Name.................................

Address.................................

Solution 9,690



JOTTER PAD

هكذا من الأصل

Spain

Unemployment and Basque troubles are the big blemishes on the country's strong performance. **David White** reports

Timely sense of confidence

José Maria Aznar, Spain's prime minister, almost missed the photograph session at the end of the Brussels summit meeting last month which set the stage for the euro.

Here, as he was saying the week before, was where Europe's 21st century would begin. Spain's inclusion in the first group of countries to share the new currency was the single achievement on which he had pegged his political reputation. But he had a last-minute delay and only just made it into the edge of the picture with the assembled heads of government and ministers.

It was a poignant detail, because the launch of the euro was one occasion when Spain could boast of having arrived on time, the first instance in post-war history of its being a founder-member of something really important. For once, it was not left behind.

One of the received ideas about the Spanish, of course, is that they are usually late. This is not just a matter of social customs, but can be applied to much of the nation's recent past.

Spain was late to industrialise, by the standards of most of the rest of Europe, and then late to open up its economy. More recently, it has in many cases lagged in liberalising business sectors and tackling industrial problems. And it was quite late (although not as late as Italy) in becoming a credible qualifier for the euro.

The Spanish are not great preparers, but they are master improvisers. The country's experience in its 12 years in the European Union and its present mood of economic confidence – based on a magic combination of expansion and unprecedented low inflation – foster a general expectation that it will do well within the new single-currency market.

> Economists believe Spain can now get balanced, sustained growth in output and jobs

Investment is strong and more is expected, now that uncertainty over euro membership is over. The growth rate, according to Bank of Spain estimates for the first quarter, has reached 3.8 per cent.

Many economists believe Spain can now get the kind of balanced, sustained growth in output and jobs that it failed to achieve in the early boom years of EU membership, with rates of over 3 per cent for several years to come. It should, they say, grow faster than the EU as a whole, thereby narrowing the gap in average income levels.

But most companies are only beginning to come to terms with the challenges inherent in the single currency.

Spain is having to wean itself off a long reliance on devaluation as a solution to problems of competitiveness. Its biggest customers are France and Germany, and since the early 1980s the peseta has lost almost a third of its value against the franc and more than half its value against the D-Mark.

With a permanently fixed exchange relationship, the only adjustment option will be greater productivity. Business leaders are now constantly nagging Mr Aznar's centre-right government for faster reforms to help companies compete. They want it to tackle bureaucratic barriers, service-sector monopolies, social charges, and labour rules which, despite changes last year, they still consider a handicap.

At the same time, business appears to be less geared up for the changeover than in other euro-zone countries. A survey by the Council of Chambers of Commerce found that a majority of Spanish companies planned to be using the euro before the peseta's phase-out in 2002. But 72 per cent admitted they were not sufficiently well informed, 79 per cent were uncertain how long the switch would take and 83 per cent had no idea what it would cost.

Monetary union has up to now been viewed primarily as a political objective, a sort of confirmation ceremony in the EU, part of the modernisation of Spain. Not that the euro arouses great popular enthusiasm, but Spaniards are ready to give up the peseta without so much as a whimper.

In a private TV channel's daily satire slot, a puppet of Rodrigo Rato, the finance minister, opens the box containing Spain's formula for euro qualification. Out comes a lot of smoke. But there is also a free gift that comes with the euro, a cuckoo-clock, and when it strikes, a tiny Mr Aznar shoots out, chirping: "Spain's doing well. Spain's doing well."

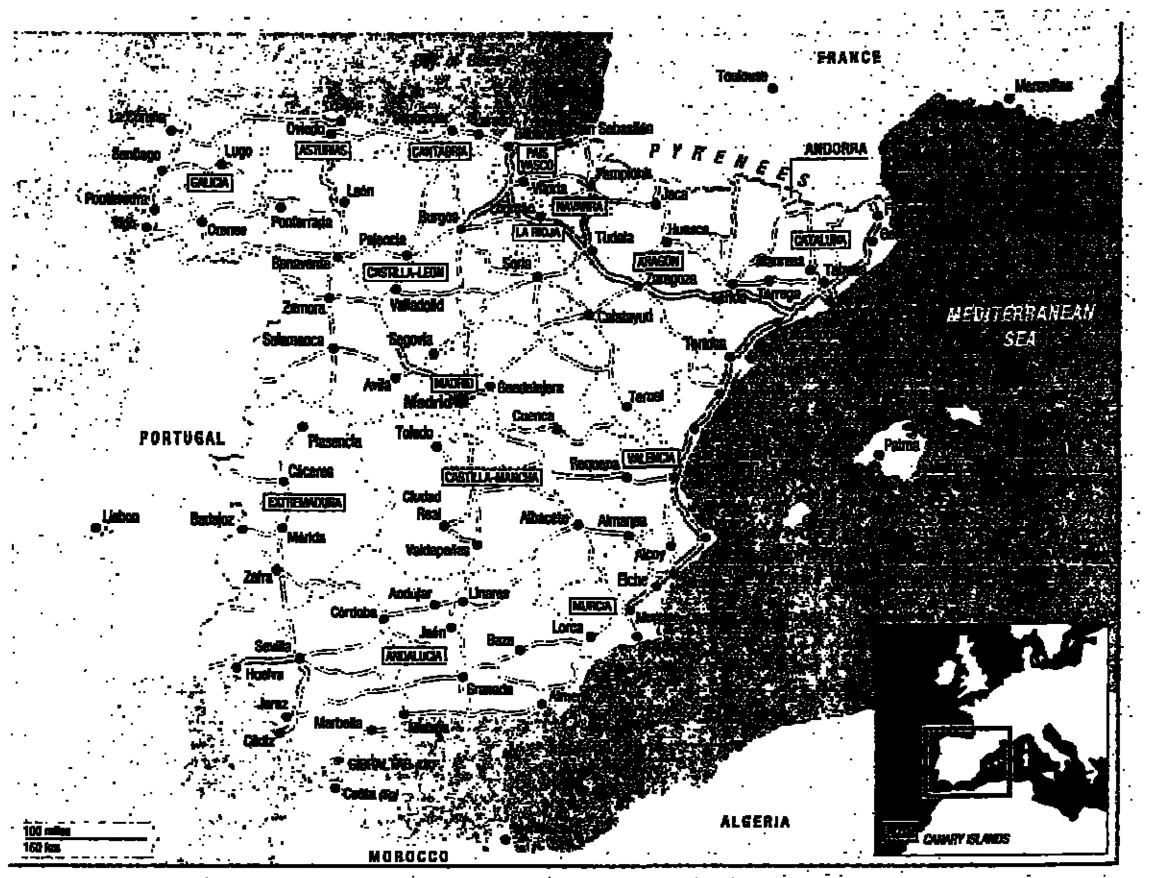
Membership of the euro is an important factor in the prevailing mood of optimism. Apart from its direct economic impact – and Spaniards overwhelmingly believe they are better in than out – it is a psychological boost for a nation that has long suffered from isolation.

Spain now belongs to everything its partners belong to, including the military side of Nato, which it stayed out of until last year. Felipe González, Mr Aznar's statesmanlike Socialist predecessor, left him with a difficult act to follow on the international stage, but the government has won credit in Brussels.

It sees itself as having been instrumental in ensuring a wide base for monetary union and overcoming the idea of a second tier of "Club Med" countries which would have had to wait to join. In the words of Cristóbal Montoro, state secretary for the economy, the new currency is "a different kind of euro from the one there would have been if Spain had not qualified."

Feeling it has now established Spain's place as a,

CONTINUED ON PAGE 2



- Area: 504,880 sq km
- Languages: Spanish (Castilian), Basque, Catalan and Galician
- Currency: Peseta (Pta)
- Exchange rate: 1997 av $1 = Pta146.40
  June 2 1998 $1 = Pta151.29
- Population: 39.3m (1997 official estimate)
- Main cities and population (1996)

Madrid (capital)	2,867,000
Barcelona	1,508,000
Valencia	747,000
Seville	697,000

Constitution

- Official name
Kingdom of Spain
- Form of state
Constitutional monarchy
- Legal system
Based on 1978 constitution
- National legislature
Bicameral Cortes, Senate of 257 members, 208 directly elected and 49 appointed as regional representatives, but with little influence; Congress of Deputies of 350 members, elected from closed party lists in individual constituencies
- State legislature
17 autonomous community (regional) parliaments
- Electoral system
Universal suffrage over age 18
- National elections
March 3 1996; next election due by March 2000
- Head of state
King Juan Carlos
- National government
Council of Ministers headed by the president (prime minister), appointed by the king, but must win investiture vote in parliament. José María Aznar, leader of the Popular Party (PP), was elected president in May 1996 at the head of a minority PP government with the support of three regional parties, of which the most important is the Catalan nationalist coalition, CiU
- Main political parties
Popular Party (PP); Spanish Socialist Workers' Party (PSOE); United Left (IU), including the Communist Party (PCE); Convergence and Union (CiU), a coalition of two catalan parties; Basque Nationalist Party PNV; Herri Batasuna (HB), a separatist Basque coalition with links to the terrorist goup ETA; Canary Island Coalition (CC)

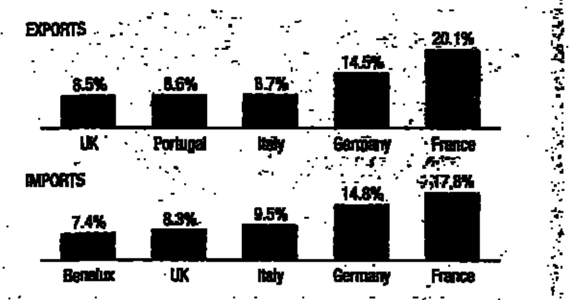
- COUNCIL OF MINISTERS
Prime minister: José María Aznar
Deputy prime minister: Francisco Álvarez Cascos
Deputy prime minister and minister of economy and finance: Rodrigo Rato
- KEY MINISTERS
Agriculture: Loyola de Palacio
Defence: Eduardo Serra
Education and culture: Esperanza Aguirre
Environment: Isabel Tocino
Foreign affairs: Abel Matutes
Health: José Manuel Romay Beccaria
Industry, energy and tourism: Josep Piqué
Interior: Jaime Mayor Oreja
Justice: Margarita Mariscal
Public administration: Mariano Rajoy
Public works: Rafael Arias Salgado
Labour and social affairs: Javier Arenas

Sources: EIU; Datastream/ICV

Economic summary

	1998 (Estimate)	1999 (Forecast)
Total GDP ($bn)	646.6	680.5
Real GDP growth (annual % change)	3.5	3.0
GDP per head ($)	14,164	15,072
Inflation (annual % change in CPI)	2.4	2.8
Government debt (as a % of GDP)	67.4	65.2
Budget balance (as a % of GDP)	-2.5	-2.0
Three-month interbank rate (%)	4.9	5.4
Average hourly earnings (annual % change)	0.1	0.8
Industrial production (annual % change)	4.2	3.9
Unemployment rate (% of workforce)	19.2	18.3
Government expenditure (% of GDP)	42.7	42.2
Total foreign debt (% of GDP)	17.5	16.5
Current account balance ($bn)	2.8	1.3
Merchandise exports ($bn)	114.9	127.4
Merchandise imports ($bn)	129.3	142.5
Trade balance ($bn)	-14.4	-15.1

Main trading partners (share of total trade to world 1996).



* Representative of EU monetary convergence criteria

هكذا من الأصل

POLITICS • by David White

Aznar has grown to fit the part

Second half of four-year term looks set to be more testing for prime minister

A newspaper cartoon after Spain's last general election showed a man with a neat moustache, his arm raised in a victory salute, but with barely his fingertips protruding from his upheld sleeve.

More than two years later, past the half-way point of his term in office, the 45-year-old Jose Maria Aznar fits the prime ministerial clothes much better than he seemed to at the outset.

Displaying increasing ease and confidence in the job, he can already claim a record in democratic Spain for keeping the same government team together, without changing a single state secretary. He has achieved his main aim of ensuring Spain's place in European monetary currency, and presided over a strong economic recovery, with improved job prospects, record low inflation and cheap mortgages.

With little effective opposition from the defeated Socialists, still disoriented after more than 13 years in power under Felipe González, Mr Aznar's centre-right Popular party (PP) has looked increasingly comfortable and even smug.

But the second half of Mr Aznar's term will be much more politically testing, on two fronts. The first involves a revived challenge on the left, with a wave of popular backing behind José Borrell, the Socialists' unexpected choice as figurehead in the next election campaign. The second involves the regional parties which have provided vital support for Mr Aznar, but which have their own political agendas and electoral timetables.

The immediate aftermath of his election victory was messy. With a narrower advantage than opinion polls and his own advisers had suggested, and 20 seats short of an absolute majority, the PP was obliged to negotiate pacts with the same regional forces that until not long before had been supporting the previous Socialist government. For a party whose supporters on election night were chanting insults against the Catalan leader Jordi Pujol, it required something of a contortionist act for it to portray itself as a champion of devolution, and strike deals on regional funding and administrative responsibilities.

> Immediate aftermath of election victory was messy, with a narrower advantage than polls suggested

It seemed doubtful whether Mr Aznar would complete a four-year term. Either, observers thought, he would call an early election to try for an outright majority and leave himself unencumbered by regional partners, or else the regional partners would force him into elections as they did with Mr González. But the outlook has since changed.

For one thing, opinion polls indicate that while the PP has cemented its electoral support it has difficulty extending it. Continuing to lag well behind the Socialists in Spain's two most populous regions, Andalucia and Catalonia, it cannot easily aspire to an outright single-party majority. At the same time, its informal parliamentary alliance has been looking remarkably solid. Although frictions with the two most powerful regionally-based parties – in Catalonia and the Basque country – are never far beneath the surface, they have backed the government fully in its efforts to liberalise and adjust Spain to the demands of monetary union.

Until recently, the Socialists appeared to be resigning themselves to a long period in the political wilderness. The party was badly damaged by corruption scandals in the last part of the González administration, and is still awaiting court verdicts to determine responsibilities in the so-called Gal case – the anti-terrorist "dirty war" waged in the 1980s.

But Mr Borrell's lightning campaign to seize the party's nomination as candidate for prime minister has resuscitated Socialist hopes. He is effectively the third leader the party has had in a year, following Mr González's surprise withdrawal last June and his replacement by a close associate, Joaquín Almunia, as Socialist secretary-general.

World stage: José Maria Aznar (centre) and King Juan Carlos (right) greet Brazilian president Fernando Henrique Cardosa in April AP

Looking to emulate their French counterparts under Lionel Jospin, the Socialists have already borrowed a few pages from the French book, including the aim of a 35-hour working week.

The next general election looks likely to centre on the issue of social spending, between an opposition seeking a reinforced welfare system and a tax-cutting government. Income tax reductions, promised by the PP last time around, are due to take effect in revised form next year.

But by then Spain will have embarked on a series of political contests – in the Basque country this October, Catalonia next spring or autumn, and mid-year elections for municipal councils, most of the other regions and the European parliament – which will set the stage for the general election.

The main regional battles affect the power bases of the parties the government relies on for its parliamentary majority. With 156 of the 350 seats in the Spanish lower house, the PP needs the support of the main Catalan party (16 seats) and either the main Basque party (5 seats) or the main Canary Islands coalition (4 seats) for a majority. It could be a tough period for relations with these partners. Mr Pujol, who can call elections in Catalonia when he wants, has an interest in keeping them separate from other ballot contests. The Socialists, his main opponents, have always found it easier mobilising people in Catalonia to vote in national-scale elections rather than for the regional parliament – and probably more so now, with the Catalan Mr Borrell heading the party.

The election series will also be a tactical testing-ground for the left. Unlike their counterparts in France and Italy, Spain's Socialists have kept a wary distance from the Communists, who, at the head of the United Left (IU) coalition, are the third party in parliament.

An offer launched by the Socialists last year to form a "common cause of the left" has focused on splinter groups that have been excluded from IU ranks. With Mr Borrell's emergence as the Socialists' premiership challenger, Mr Anguita appears much keener to seek an electoral pact. His coalition improved its vote to more than 10 per cent in the last election, but has since lost ground with its internal purges of dissident factions. Mr Borrell, bringing a more strident tone to the Socialist party, is clearly counting on capturing extra support on the left, rather than concentrating efforts on regaining centrist voters from the PP.

The way Spain's proportional electoral system works, the single parties with the biggest shares of the vote get even bigger shares of the seats. The PP's victory was possible because there was no other party on the right contesting the election countrywide. The vote of the left, divided between Socialists and Communists, was in fact more – 48 per cent – than the combined vote of the PP and its current regional allies. For both Mr Aznar and Mr Borrell, that is a tantalising piece of arithmetic.

PROFILE **José Borrell**

Maverick of the left

A kind of electric jolt went through Spanish politics when José Borrell won the Socialist vote to head the party's next general election campaign and stand as its candidate for prime minister.

In one swift, opportunistic move, Mr Borrell upset the party hierarchy and seized an against-the-odds victory in a "primary" contest on April 24, his 51st birthday. The momentum of his campaign brought with it a sense of excitement on the Spanish left. But for many Socialists as well as conservatives, it also brought a whiff of danger.

Here, on the one hand, was an attractive new figurehead, a stylish and incisive speaker and natural television performer, able to stir up popular enthusiasm. But at the same time, here was an outsider, a one-man show, still a largely unknown quantity in many respects, untried in foreign affairs, set on breaking away from the party's recent past, capable of provoking antipathy almost as easily as acclamation.

Until his victory, the party remained dominated by the shadow of Felipe Gonzalez, the leader who headed it for 23 years, through Spain's transition to democracy and four terms in government. When Mr Gonzalez made his surprise decision to stand down as secretary-general a year ago, the party turned to a close ally to replace him, the reliable and moderate Joaquin Almunia.

The idea of holding "primaries" was meant to rally support behind Mr Almunia, but it boomeranged against him. Mr Borrell won the candidacy vote by 55 per cent to 45. The outcome means Mr Almunia has to share an uncomfortable double act, heading the party itself while the "candidate" takes the role of opposition leader in parliament.

Mr Borrell counted on strong backing among the Socialist rank-and-file, even though Mr Almunia had virtually unanimous support from the rest of the party's executive committee, as well as from Mr González. Public works, transport and environment minister in the last five years of the González administration, Mr Borrell has always been a political loner. He admits to not being an easy person. Critics find him conceited and opinionated. He has a reputation as a French-style dirigiste, a centralist and a big spender. His projects as minister included an unimplemented master-plan for solving Spain's cyclical water shortages which was expected to cost $30bn.

Opportunistic move: José Borrell after his election AP

A firm believer in the welfare state and the role of the public sector, he argues for a "European model" of social protection rather than an "Anglo-Saxon model", rejecting what he calls "the fatalism of the market".

His popular appeal is based on a mix of physical presence, a clear belief in his own mission and a strong note of idealism. "Nobody can build a political project on a GDP growth rate," he said in an interview with the party newspaper *El Socialista*. "Nobody falls in love with an inflation rate."

In another interview, he declared: "I am not an adventurer, but there is nothing worthwhile in life that does not involve some risk." However, he said his experience serving under Mr González gave him "a dose of common sense."

From a modest background, Mr Borrell studied on scholarships to qualify as an aeronautical engineer, then an economist. He went to an Israeli kibbutz where he met his French wife, did postgraduate studies in Paris and Stanford, California, and joined the Socialist party on his return to Spain in 1975, when the Franco regime was near its end.

When the Socialists won power in 1982, he became budget director and later state secretary for finance – earning a certain notoriety by hounding show-business stars for taxes – before entering the cabinet in 1991.

He raises bristles in other parties, especially the regionalists who have held the balance of power in the last two Spanish parliaments. The main Basque party, the PNV, on the whole more at ease with the Socialists than with the centre-right Popular party now in power, says it "always had problems" with Mr Borrell. Iñaki Anasagasti, leader of the Basque parliamentary group in Madrid, has dismissed Mr Borrell's political principles as "old ideas, from 1789".

A Catalan himself – he is known indiscriminately by either the Spanish version of his first name, José, or the Catalan version, Josep – Mr Borrell is no friend of Catalan nationalists. His stint as minister brought him into conflict with Jordi Pujol, Catalonia's powerful regional president.

It is usually considered in Spain that coming from Catalonia is a serious barrier for an electoral candidate in the rest of the country, because of prejudice against the Catalans' reputed arrogance. Curiously, considering that Catalonia is Spain's most developed region, the nation has not had a Catalan head of government since the 1870s. But Mr Borrell intends to become the exception to the rule.

David White

ECONOMY • by Tom Burns

Home truths – overseas opportunities

Opening of domestic markets brings big boost to prosperity and confidence

Cristobal Montoro, an academic turned politician who was appointed secretary of state for the economy when the Popular party won power two years ago, knows extremely well what every student of contemporary Spain has learnt over the years. "Every time that the country opens itself up the to international markets, the domestic economy takes a very important step forward," he told a group of corporate finance executives at a recent meeting in Madrid.

The Spanish economy made a quantum leap towards prosperity in 1959 when the Franco regime loosened import controls. Domestic productivity rose significantly when a preferential agreement with the Common Market was signed in 1970. And annual GDP growth accelerated from 3.2 per cent in 1986, the year that Spain joined the European Economic Community, to 5.6 per cent 12 months later.

Mr Montoro was making the point that the peseta's inclusion in the European Union's single currency opened "a new horizon of development and wealth".

By "new" he meant that unlike previous growth periods, that were fuelled by external stimuli, Spain was now locked into a sustainable low inflation and low interest rate environment that removed the danger of a boom and bust cycle.

The bottom line of his upbeat message was that Spain could "have the strongest balance of payments in the euro". Coming from anyone other than the thoughtful Mr Montoro this would have passed as jingoism. But the secretary of state is not a boastful politician.

Those listening to him tended to agree, for business confidence in Spain is running very high at present.

Now that Spain has passed the Emu threshold, two features of the domestic economy help to explain such optimism. Both features are new.

The first is the manner in which Spanish corporations have reinvented themselves as multinationals.

The second is the way in which household savings, which have significantly increased in volume, have switched to equity investments.

The development of these twin trends is underpinned by what is arguably the greatest change of all. Financing economic growth has become very cheap, virtually overnight, and this is the factor, above all others, that is fuelling the confidence that Mr Montoro both expresses and encounters.

The Bank of Spain's intervention rate has fallen by five points since 1995 to 4.25 per cent, and the peseta's long bond spread against the D-Mark has shrunk from 400 points in the past two years, to 16 at the latest count.

With year-on-year inflation holding steady at around 2 per cent, domestic business can take on challenges that were previously denied to it. Simultaneously a high, and growing, proportion of household savings has turned away from fixed income instruments, which lower interest rates have now made unprofitable, and been invested in the productive economy.

When Endesa, the power group, launched the registration period for the final phase of its privatisation at the end of last month it did it in style, consciously aping Wall Street. The classical facade of Madrid's Bolsa looked like an expensively wrapped gift, for its Doric columns were bedecked in Endesa's blue and grey corporate colours. The unprecedented hype was fully justified, because the record-breaking sell-off was worth some $7.7bn, one and a half times the size of an offering of Endesa shares last October which itself set a benchmark for Spain's capital markets.

The disposal of the power group capped a 15-month privatisation drive by the centre-right government, and represented a paradigm of what has occurred in the domestic economy under the rule of José María Aznar's Popular party.

On the opening day of the Endesa sale the volume of bids registered by individual savers, who had been allocated a minimum 70 per cent of the offer, matched the entire value of the disposal.

There is a clear background to such demand because a quiet revolution has taken place that has turned Spain into a shareholder society.

When Telefónica, the national telecoms operator, was privatised, in February 1997, 66 per cent of the $4.3bn offer was placed among individual Spanish investors.

In the same vein, 63 per cent of Argentaria's $2.3bn disposal in February this year was routed to domestic small savers, as was 71 per cent of the $2.2bn April privatisation of Tabacalera, the tobacco manufacturer and distributor.

It is reckoned that 25 per cent of households use part of their savings to acquire stock on the Bolsa. In a succession of IPO's over the past two years, and not counting the huge final offer of Endesa equity, individual Spanish investors have acquired around 500m shares, worth some $9.6bn.

Endesa, formerly a government-owned electricity distributor serving a tightly regulated market, usefully exemplifies the new muscle of the domestic economy. It has diversified its business, to the point that it now styles itself a multi-utility corporation, and has aggressively expanded into Latin America, the favoured stamping ground of Spain's larger companies.

Endesa plans to step up its geographical diversification with investments, chiefly in Latin America, totalling $2.6bn through to 2002. That will lift its earnings outside Spain to 20 per cent of attributable net profit, up from 6 per cent at present. A further $1bn will be invested to diversify into the co-generation business, the gas industry and the telecommunications and water management sectors, and earnings from non-electricity business units will represent 10 per cent of current net profits within four years.

A range of other Spanish companies, particularly recently privatised ones such as Repsol, Telefónica and Tabacalera, have outlined similar growth ambitions. What is wholly new on the Spain's economic landscape is that domestic business is now exporting capital in addition to goods and services.

Timely sense of confidence

CONTINUED FROM PAGE 1

in the pithy words of one senior official, "Mediterranean, ma non troppo" – it has begun acting in a more muscular way in Brussels. It is anxious to prevent the next phase of EU expansion from undermining the current system of financial transfers, of which Spain is the biggest beneficiary.

The spate of economic good news has made Mr Aznar's minority Popular party administration look increasingly comfortable, and much better placed to win a second term than appeared to be the case when it was elected just over two years ago. But his government, sometimes high-handed and sectarian in its behaviour, has difficulty widening its electoral support. And Mr Aznar's political reflexes will now be put to the test by the emergence of a new, articulate and combative Socialist opponent, former public works minister José Borrell.

A recent survey indicated Spaniards feel more positively about the economy than at any time since democracy was restored in the 1970s – a sentiment Mr Aznar aims to bolster by delivering across-the-board income tax cuts next year.

But unemployment, the highest among EU countries, continues to be a blemish on Spain's economic performance. The official rate, although lower now than at any time since 1992, remains close to 20 per cent. Some studies suggest the truth may be more like 13 per cent, but it is still high. Jobs are now being created in Spain far faster than in the EU as a whole, a net increase of 400,000 a year. But then the country still has a lot of people to bring on to the labour market. Official figures for the end of last year show a participation rate among over-16s of 50 per cent, significantly below levels in the rest of the EU. For women, the rate was 38 per cent.

The other big scar that has failed to heal in Spain is Basque terrorism. Yesterday marked a grim anniversary – the Eta separatist organisation's first assassination in 1968. Although nowhere near peak levels, fatal attacks have been running at about one a month in the last few years, and Eta has found a way of gaining maximum impact by targeting local Popular party politicians. The government, not believing Northern Ireland-style negotiations are applicable, is concentrating on trying to isolate Eta and arrest its remaining members. But there is no consensus between the main national parties and Basque regional parties about how to deal with the problem. After 30 years – through the end of the Franco regime, the installation of democracy and the development of regional self-rule – it is not clear that it is anywhere near being overcome.

هكذا من الاصل

THE BASQUE PROBLEM • by David White

Madrid's tough stance heightens state of tension

Bomb-and-bullet campaign continues to distort the political scene

A recent survey by the authorities of Spain's Basque region found that 47 per cent of the population felt more Basque than Spanish, including 32 per cent who regarded themselves only as Basques. This compared with 10 per cent who considered themselves as primarily or solely Spanish.

Twenty-two per cent of respondents in the region said they favoured independence; a further 35 per cent said it would depend on the circumstances; 25 per cent were against.

After more than 18 years of self-government in the Basque country – three small northern provinces with a population of just over 2m – the issue of its status with respect to the rest of Spain remains a source of tension, disturbingly highlighted by an unending terrorist conflict.

The bomb-and-bullet campaign which the Eta separatist group began in the late 1960s, during Spain's Franco dictatorship, distorts the whole Basque political scene. The moderate Basque Nationalist Party (PNV), which heads the regional government, is often seen by its rivals as using Eta's continuing activity as leverage for furthering its own demands.

In contrast with UK parties over Northern Ireland, Spain now lacks a consensus over the handling of Basque terrorism. Divisions have been getting worse in the run-up to regional elections on October 25.

While the PNV is expected to hold its leading position, the various nationalist parties might for the first time cease to make up a combined majority in the regional parliament. The conservatives of the Popular party (PP), now in government in Madrid, have until recently been marginalised in the Basque country. But, with a clutch of young candidates, they are rivalling the Socialists, up to now the second political force and part of the PNV-led coalition government.

In recent months, Eta has made the PP its prime target, with a series of attacks on local councillors. Public shock over the first of this latest series of killings – the execution of kidnap victim Miguel Angel Blanco last

Masked police officer after an Eta bombing in April

July – brought millions on to the streets throughout Spain in a spontaneous civic movement to repudiate the terrorists. Repeated on each occasion, the silent demonstrations, the showing of whitened hands, the protest banners paraded through Basque towns with slogans such as "Bakea behar duga" ("We need peace," in the Basque language), have become familiar images. But they have no apparent effect on Eta, evidently more intent on impact and provocation than on winning friends or admirers.

The attacks have widened the divergence among politicians about whether to try to negotiate a peace plan. The PNV argues the case for keeping a negotiating option open. But the mood outside the Basque country is clearly against any move which might imply a concession to Eta and its allies. The government, with increasing conviction, has opposed holding any contacts with Eta leaders or their allies in the radical party Herri Batasuna.

José Maria Aznar, Spanish prime minister, stirred matters up earlier this month with a speech dismissing HB as "trash" and "Eta slaves". He declared: "Eta and HB will all end in jail." He said there was nothing to talk about with the party, which recently appointed a new leadership after Spain's supreme court jailed its 23 top members over an electoral video film.

The Aznar administration's tough stance has increased friction with the PNV, one of the regional parties which has so far helped to give it a working majority in the Spanish parliament, under a deal two years ago which included concessions for the Basque government.

The April peace agreement in Northern Ireland revived the negotiation issue in the Basque country. But the Madrid government has argued there is nothing in common between the two situations except terrorism.

Apart from the absence of sectarian confrontation, and the distinct political circumstances, there is an important difference in that the Basque radical movement has no counterpart to Gerry Adams, the president of Sinn Féin, carrying sufficient weight in the separatist camp to be a credible negotiator. Spanish officials do not believe, in any case, that Eta is seriously interested in ending hostilities.

José Antonio Ardanza, the region's outgoing PNV president, tried unsuccessfully in March to secure an inter-party agreement to prepare a possible path for negotiation. His initiative was aimed at reviving a pact reached 10 years ago which foresaw the possibility of "a discussed end to violence". He ruled out dealing with Eta but proposed bringing HB into talks with other parties represented in the Basque region, stipulating that the Madrid government should agree to abide by any deal they came to. The plan split the political field into two camps, with all the specifically Basque parties and the Communists in favour, and both the PP and the Socialists against.

The spectacle of disunity in the political arena has been mirrored in the security sphere, with embarrassing outbreaks of squabbling between the region's Ertzaintza police – one of the symbols of recent Basque autonomy – and other police forces.

Basque nationalist leaders complain of a lack of understanding between them and Madrid. They argue that Eta terrorism is based on a political conflict, and that, while Spain's previous Socialist government recognised this, the present administration appears convinced that the violence can be ended by police means alone.

Eta's capability has certainly been reduced by arrests both in Spain and across the border in France. With about 500 members in jail and few dozen hardcore activists, Eta cannot sustain the kind of heavy campaign it waged in the early 1980s. But it still has the means for intermittent attacks. One leading Basque politician compared Eta to the Hydra of Greek myth, growing a new head every time one is cut off.

Basque extremists have also found another means of keeping the temperature up, by mobilising young Eta supporters in street rampages and arson attacks – highly organised groups, sometimes able to take over whole districts.

HB, meanwhile, continues to enjoy strong minority support. Since last summer, other parties have tried to isolate it, deposing HB mayors in some of its main bastions. The party is expected to lose some ground in the October election. Four years ago, it failed to match its previous 18 per cent peak. But it still captured 16 per cent of the vote, and Basque leaders do not see it disappearing rapidly from the scene.

PUBLIC SECTOR • by David White

When going gets tough

Government has arrived at the hard bit of its three-stage plan for privatisations

In the coalmining valleys of Spain's northern Asturias region, the pithead machinery continues to turn at a dozen state-owned mines. They produce a poor coal that nobody really wants, extracted at high cost for a company that has never made a profit and never expects to do so.

Here the inefficiencies of subsidised state industry reach an extreme. But it is also here that the industrial support system is likely to persist long after it has been dismantled elsewhere.

In these grim mining communities and the shipbuilding ports of the north and south of Spain, the brave new world of the free market and private enterprise meets its frontiers.

Josep Piqué, the industry minister brought into the centre-right government from the private sector two years ago, has had to reconcile himself to subsidies that he once described as "a biblical curse". Coal aid is set to *continue well into the next century*, with the threat of closure staved off for political and social reasons.

Asturias, with a rebellious left-wing history, is a recent conquest of Spain's ruling Popular party, which now runs the regional government. The region has been battered by a succession of crises costing 35,000 jobs in state coal and steel companies since the 1970s.

The government reached a settlement with miners' unions last year on a gradual run-down. The part dealing with the nationalised mines – the main company Hunosa and its sister Figaredo colliery – was challenged by the European Commission, wanting deeper cuts. Over the years, the group has already cut its workforce by two thirds to less than 10,000 and closed half its mines. But it still provides 40 per cent of coal-mining jobs, for only 14 per cent of production.

After a bitter one-month strike over the new year, the government settled on an adjusted deal that added 500 voluntary redundancies. But it kept plans for new hirings to offset early retirements, promising to maintain a workforce of at least 6,500 at the end of 2001, and keeping open all the remaining deep pits where there is still coal to be mined.

Formed to rescue the region's principal collieries 31 years ago, Hunosa has made nothing but losses. Last year these were still more than the value of its sales, at over Pta40bn. Its production costs roughly six times the price of imported Australian coal.

Overall employment in the coal industry has been halved since 1982 to 24,000. But the sector remains

Earlier clash: Shipyard unions are ready for struggle AP

wholly dependent on financial support, partly through a 5 per cent tax on electricity bills. Its production all goes to Spanish power stations. Total support last year, according to government figures, worked out at Pta9m per employee, more than twice the average mining wage.

At Sepi, the government's industrial holding company, the plan is that Hunosa should be the only interest it has left in 2001. Exceptionally, it continues to receive direct budget subsidies. The restructuring of other problem companies is financed through privatisation revenues collected by Sepi as it sells its holdings.

Since coming to power in 1996, the government has privatised whole companies and minority shareholdings worth some Pta4,000bn, including the final sale of shares in the power group Endesa, now under way in the country's biggest privatisation operation.

The previous Socialist administration began sell-offs in the mid-1980s, but this is the nearest Spain has come to a comprehensive approach to dealing with its accumulated state interests.

State enterprise in Spain started in sectors such as oil in the 1920s. It expanded in the early years of General Franco's dictatorship with initiatives to build up power, steel and other basic industries through an Italian-style national industrial authority, INI. From the 1960s it took on an additional role as a hospital for crisis-hit companies.

Mr Piqué set out a three-stage plan for privatising everything that could be privatised within the present government's four-year term, and at least reducing losses at other companies. The only interests omitted from his list were the railways, state broadcasting, the national news agency and nuclear waste management. The first part has been the easiest – completing the privatisation of large and profitable companies in telecommunications, electricity, oil, gas, banking and tobacco. It is now getting to the hard bit.

A second batch of companies needed "consolidating" before they could be transferred to private hands. These included Iberia, the national airline, which had been rescued from the verge of bankruptcy. It is now being privatised in stages through international partners, Spanish corporate shareholders and the stock market.

The remaining state steelmills – survivors of a belated reconversion in the 1980s that cost Spain Pta1,400bn and reduced the workforce by over 70 per cent – were promoted from the lame-duck category, rebaptised under the name Aceralia and successfully floated late last year after the sale of a controlling stake to Arbed of Luxembourg. Alcoa of the US bought Spain's Inespal aluminium company in a $410m deal finalised earlier this year. The government has started negotiating the sale of its troubled Babcock & Wilcox Española capital goods producer with Norway's Kvaerner.

On the privatisation list are aerospace builder Casa, the Spanish partner in Airbus and Eurofighter, pending its European partners' reorganisation plans for the industry, and electronics company Indra, linked to France's Thomson group.

Tougher questions surround the future of arms group Santa Bárbara and military shipbuilder Bazán, heavily dependent on Spanish procurement programmes for tanks, frigates and submarines. A $2bn programme for building German-design tanks provides a lifeline for Santa Bárbara's armoured vehicles division. But the government, which has been talking with *Krauss-Maffei and Rheinmetall*, is looking for a way of hiving off more than this one part of the group.

At Spain's commercial shipyards, unions are bracing themselves for another struggle. Employment, 28,000 in the early 1980s, is already due to come down to 6,000 this year. It would have been less, but a violent conflict three years ago succeeded in keeping all eight yards open, under a revised cutback plan.

Under a state aid deal with Brussels, the Astilleros Españoles shipyards were supposed to pay their own way from this year. But, after losing Pta24bn in 1997, they are expected to be in the red again, despite a record order book.

One yard, Barreras in Vigo, was sold to shipping companies and managers in December, but few others are close to breakeven. The big Puerto Real yard, in Cadiz, and the Astano yard, at Ferrol, in the northwest, which is limited to making offshore platforms, still face serious problems.

هكذا من الأصل

LABOUR RELATIONS • by Tom Burns

Fear of renewed militancy

Employers are concerned that the present harmony may be undermined

The Mayday rally in Madrid at the beginning of last month filled the CEOE, the national employers' confederation, with foreboding. The call for a 35-hour week by the trade union leadership was not surprising.

What rattled the employers was that the limelight was stolen by José Borrell, the Socialist party candidate for prime minister in the next general election.

Mr Borrell was the first party leader to attend a Mayday rally since 1984, a year when the stringent budgetary policies of the then Socialist government forced a divide between the party and the labour movement. Mr Borrell dodged questions on whether he endorsed the shorter working week, but he made clear he wanted to rebuild relations with the trade unions.

As far as the employers are concerned Mr Borrell *spells troubled: he is looked* upon as a *dirigiste* radical. The tax clampdown on business that he sponsored in the 1980s, when he held senior jobs in the economy ministry, has not been forgotten.

They fear that the irruption of Mr Borrell on to the political stage could undermine corporate confidence and polarise the trade union leadership. Their concern is that this would upset the general harmony that has characterised industrial relations since the employers' confederation and the unions signed a far-reaching agreement a year ago to overhaul rigid labour market rules.

The agreement was a trade-off in which the unions accepted lower redundancy costs while employers introduced more stable employment in place of a vicious circle of rotating six month jobs.

Antonio Gutiérrez, leader of the Workers Commissions called it "balanced, and based on mutual concessions". Cándido Menendez, head of UGT, the rival nationwide labour federation, spoke of a "clear example of social consensus".

As a result considerable progress has been made in attacking Spain's unemployment, which stands at an official level of 20 per cent of the workforce, making the country Europe's biggest jobless zone.

Over the past 12 months nearly 900,000 new work contracts have been signed under which employees are hired for a four-year renewable period and are subject to cheaper dismissal costs. In addition more than 700,000 new jobs have been created.

More importantly, the agreement was an open-ended pact that allowed for continued negotiations to remove rigidities in the labour market and so encourage more employment.

"We avoid talking about a wholesale 'reform' of the labour laws because that invites controversy and tends to be forgotten as soon as the ink is dry on the agreement," says Fernando Moreno Piñero, head of the industrial relations department at the CEOE. "We prefer the step-by-step approach that keeps both sides talking positively."

The discussions have reached a crucial stage in that they are focusing on part-time work contracts that are regarded as the key to making a quantum leap in job creation. Employers claim red tape and excessive social security burdens limit their ability to hire extra workers for limited periods; but the trade union leadership remains suspicious of so-called junk jobs.

At present, 8 per cent of the Spanish workforce is employed on a part-time basis. This is a considerable improvement on the 3 per cent level four years ago, but it is well short of the estimated 16 per cent average of total employment that this type of work represents in the EU.

Unions are holding out for a deal that ensures part-time employees are hired for a minimum of 25 per cent of a working week, while the CEOE is seeking a more flexible arrangement. In order to encourage an agreement the government has hinted it could reduce payroll taxes for those hired on a part-time basis.

In principle, the elements are in place for a balanced pact between the employers' confederation and trade unions over part-time work similar to the job stability/job flexibility trade-off signed last year.

Under that deal the unions ensured employers paid social security contributions for their part-time staff according to the hours they worked, and employers secured agreement that temporary work contracts, linked to specific production processes, would not be a stepping stone to a permanent job.

The search for continued consensus could, however, be imperilled if employer-union relations become politicised, and this is what some business leaders fear, following Mr Borrell's highly-profiled curtain call at the Mayday rally.

The employer's confederation is, for example, prepared to discuss a 35-hour week linked to productivity agreements on a case by case basis. It argues that working hours have been reduced time and again since it began negotiating collective bargaining agreements with the unions 18 years ago, to the point where the working week for the fully employed is already 37.2 hours, marginally below that of the European average.

But business is concerned that unions could turn against a flexible framework if Mr Borrell takes a leaf from the French socialist book and turns the 35-hour week into a campaign issue to rally voters behind him in the next general election.

Experience, moreover, suggests expansive economic cycles spur union militancy. In December 1988 the gross domestic product was growing at more than 5 per cent for the second successive year and the unemployment rate was coming down sharply. Unions then mounted a crippling general strike against apprenticeship contracts planned by the then Socialist government.

At issue is whether the unions will continue to abide by the present guidelines of wage moderation and the relaxation of labour market rigidities that have ensured economic growth and more jobs; or whether they will demand public spending on employment and the redistribution of the work available, through legislation such as the 35-hour week and overtime bans.

May march: Striking workers demonstrate is support of olive growers *AP*

PROFILE Javier Arenas

Party's human face

Prime minister José Maria Aznar's spin doctors keep telling him home truths that are regularly borne out by opinion polls. The ruling Popular party's economic policies have generated prosperity in the past two years and the government has adopted a step-by-step approach to consensual policy making.

But despite this the members of Mr Aznar's team are still regarded as representatives of a privileged class that is insensitive to the underdog and lacks true democratic allegiances.

Opinion polls obstinately refuse to give Mr Aznar a high approval rating and suggest his Popular party is neck-and-neck with the opposition Socialists.

The challenge presented by the public's perception of the government is why Javier Arenas, 40, the minister of employment, is a key cabinet member, as well as its youngest. He is the human face of a government that critics view as dangerously beholden to the free market and neo-liberal theories.

He has, for instance, maintained, indeed increased, subsidies for agricultural workers who are seasonally unemployed, and he has increased spending for the aged.

In the seminal year of 1977 when the first post post-Franco elections were staged, Mr Arenas, a law student in Seville university, was leader of the youth wing of the centrist UCD party that steered Spain towards democracy.

Mr Aznar, four years his senior, entered politics in 1979 when he joined Alianza Popular, a staunchly conservative party that under his leadership 10 years later was to co-opt members of the by then defunct UCD to the re-named Popular party. Mr Arenas was among them.

The only truly popular members of the cabinet are Mr Arenas and Jaime Mayor Oreja, the interior minister and likewise a former UCD member. Both, significantly, belong to the Christian Democrat wing of the Popular party

Mr Mayor Oreja wins plaudits because he is steady, firm and sensible in his dealings with Basque separatist violence. Mr Arenas, the more extrovert and populist of the two, is liked because he distances himself from a government that critics view as practising exclusion politics.

The charm and quick-fire oratory that Mr Arenas displays are trademarks of politicians who come from Andalucia, the southern swathe of Spain and the home region of former prime minister Felipe González.

The social concerns that Mr Arenas has turned into priority issues for the employment ministry are the result of a long involvement in local Andalucia politics.

Andalucia is in the bottom half of Spain's regional incomes table. It became a socialist fiefdom during Mr González's years in office, and Mr Arenas, who is the only southerner in the Popular party cabinet, knows very well that voters there are unmoved by privatisations and deregulation, by a booming stock exchange and the advent of a shareholder society.

The liberal wing of the Popular party is impatient with the welfare politics that Mr Arenas stubbornly promotes but it concedes he plays a vital role in the party's catch-all electoral strategy.

After a recent post-cabinet meeting press conference, Rodrigo Rato, the deputy premier and economy minister, explained new fiscal-friendly guidelines for venture capital companies, but it was Mr Arenas who stole the headlines the next day with his plans to step up subsidised holidays for pensioners.

Mr Arenas revived the Popular party's fortunes in Andalucia and he conscientiously nurses his constituency, the most populous in Spain, in order to breakdown its strong Socialist majority.

If Mr Azmar wins a second term with an increased majority he will have to thank the votes that Mr Arenas delivers from migrant workers in Andalucia and from a grateful, ageing population.

Tom Burns

FUNDS FROM THE EU • by David White

The bounty that is Brussels

Tough arguments lie ahead as EU reforms of farm policy and regional aid loom

People will remember driving around Spain before it joined the European Union, if for no other reason than the time it took. Now, dramatically improved roads and the high-speed railway connecting Madrid with the south have broken down the physical barriers isolating whole regions. They also provide the most obvious sign of the benefits Spain has derived from the inflow of funds in 12 years of EU membership

Spain currently leads the EU's list of net recipients, and by all accounts has made good use of the money. For Spanish industry and agriculture the impact of membership has been so deep and diverse as to make it hard to draw up a balance of gains and losses, but the country has kept its head above water better than many feared in the run-up to accession. Spain's exports to EU partners, which in the early years of membership ran at around 75 per cent of what it imported from them, have progressively been gaining ground, to over 90 per cent last year.

However, the gap in income levels between Spain and the rest of the EU has narrowed only slowly – from about 70 per cent of the average when it joined in 1986 to just under 78 per cent. The country still needs heavy spending on infrastructure to enable it to compete in the single currency zone, and the southern regions of Andalucia and Extremadura make up the EU's biggest unemployment blackspot, with an official rate close to 30 per cent. Now, as the EU prepares to incorporate much poorer countries in central Europe, the concept of solidarity which has underpinned Spain's early period of membership is set for radical change.

Tough arguments loom as the EU tackles reform of both farm policy and regional aid, which currently take up around 80 per cent of the Brussels budget.

"I see Spain as being capable of fighting very hard for some its national interests," commented one veteran EU diplomat. Spain's worries focus on the treatment of Mediterranean agricultural products, tighter conditions for aid, and the overall budget ceiling of 1.27 per cent of gross domestic product, which it argues should not be set in stone.

The first crunch in the planned farm reforms is an interim plan for the olive sector, due to come into force in November. Olive oil is a Mediterranean product par excellence; Spain is the world's biggest producer of it; and it is arguably the single sector that has gained most from membership so far.

The prospect of a fundamental change to the aid regime has made olive oil into a Spanish national cause since the first panic was aroused over 18 months ago. It has made Franz Fischler, the Austrian farm commissioner, into something of a public enemy south of the Pyrenees.

From a European Commission viewpoint, the current means of support, a complex set of aids including payment according to output, is too complex, invites fraud and encourages growers to keep producing more and more. But the idea of switching to a system of aid per tree is anathema to Spanish producers, whose arguments are backed by regional and central government authorities.

They say the existing system has enabled them to modernise and improve quality, and that huge swathes of olive groves would simply be abandoned if production aid were dropped. The issue has a big social dimension. About 140,000 people are reckoned to work at least part of the year in the business in Andalucia alone, and for many areas olives are the only viable crop.

A two-year delay has been granted before the adoption of a definitive system, with a temporary arrangement introducing national quotas for the first time among the five EU producers – Spain, Italy, Greece, Portugal and France – instead of an overall maximum. Spain's olive regions are up in arms because their proposed quota – based on output during a period when the country was suffering from a prolonged drought – is a third less than they produced last year.

Spain's receipts of structural grants are also in question. Its entitlement to the top category of regional funds, which currently covers most of the country, stands to be reduced by a fifth as the Valencia region and possibly the northern region of Cantabria move above the qualifying threshold of 75 per cent of average income.

More contentious are future handouts from the Cohesion Fund, set up to help the EU's four poorest countries in the run-up to the single currency, and an important source of finance for transport and environmental projects.

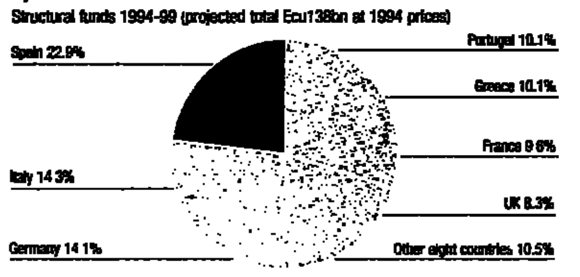
Spain, the dominant beneficiary, has received Pta593bn from the fund so far. After vigorously rejecting German arguments that countries in the euro zone should no longer be entitled to special aid, Spain is fighting proposals to peg the funds to strict fulfilment of economic "stability plan" objectives.

Making clear its firm political commitment to the EU's eastwards enlargement, the government of José Maria Aznar has taken the position that it is ready to "pay its share" but not foot the bill by giving up its own claims to financial support. Officials say they accept that Spain's net receipts will fall, but argue that this should come from higher Spanish contributions rather than reduced entitlements. No progress is foreseen while Germany, the main EU paymaster, gears up for its general election in September. With that out of the way, they believe a deal could be made next spring.

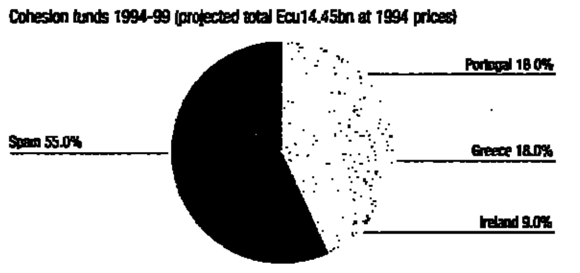
But the question for Spain is not so much whether the funds will run out, as when.

Spain's share of funds

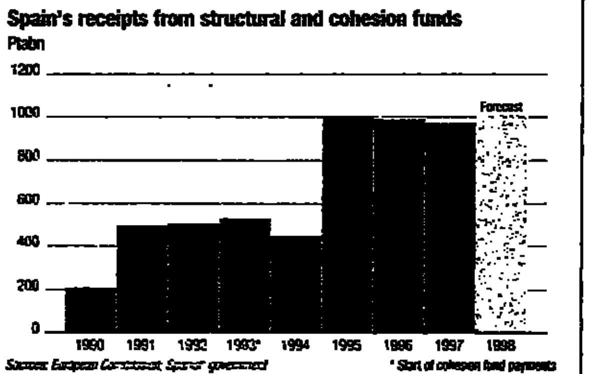
Structural funds 1994-99 (projected total Ecu138bn at 1994 prices)



Cohesion funds 1994-99 (projected total Ecu14.45bn at 1994 prices)



Spain's receipts from structural and cohesion funds



Source: European Commission; Spanish government

* Start of cohesion fund payments

هكذا من الأصل

TOURISM • by Tom Burns

Industry del sol

The sector is the country's biggest money earner, and that looks set to continue

For more than 30 years tourism has been laying the golden eggs of Spain's national prosperity. But only recently have the authorities started to pay due care and attention to the hen coop.

Tourism, which accounts for 1.1m jobs, 9.5 per cent the total employed labour force, is finally being treated as a key economic sector, and its prospects look sunnier than ever in the new euro environment.

At the end of last year the government sponsored a high-profile national tourism congress attended by all involved in the industry, and the first of its kind since the 1970s.

The main outcome was a 23-point plan adopted by the government, covering tax incentives, soft credits, quality controls, promotion and other pledges to ensure tourism's continued well-being.

"Spain became the preferred location when a growing number of Europeans began to take holidays abroad. It is still the favourite and it will continue to be so," says Natalia Rodriguez Salmones, director of the government's Tourism Studies Institute.

Her findings point to an expanding base of European tourists and growing demand for Spanish holidays thanks to a high satisfaction ratio that has engendered continued client loyalty.

Although some in the industry believe the euro could have a negative impact on inward tourism, because it will eliminate a price advantage based on exchange rates, Ms Rodriguez Salmones is convinced the common currency will be "wholly positive". She argues that the euro will consolidate Spain's position as the EU's familiar value-for-money holiday destination.

Driven by this sanguine view, the Tourism Institute has become a important element in the new professional approach to the industry.

It has entered its third year as a centre collecting data about tourism. It looks at who came as a tourist, why did they chose to come, where did they go to, and what did they think of it when they left. It reports directly to a secretary of state in the economy ministry, and shares premises in Madrid with other units of Turespaña, the umbrella organisation for the administration's tourism drive.

Turespaña's new headquarters look like the home of a tightly managed division of a large multinational, which is at it should be because the department oversees an industry that has become, by far, the biggest generator of earnings for Spain Inc.

Net receipts from tourism rose year-on-year in 1997 by 13.2 per cent to Pta3,262bn, contributing 10.5 per cent to gross domestic product. This offset a 4 per cent growth in the trade gap and enabled Spain to hike its current account surplus by 70 per cent to Pta380.8bn.

In 1996 Spain overtook France to rank behind the US in terms of tourism earnings and, with 43.4m tourists last year, 7 per cent up on 1996, it is behind only France and the US in the number of visitor arrivals. Further growth is forecast this year.

The main part of Ms Rodriguez Salmones' job at the Tourism Institute is to monitor such statistics, and it is a task that has become increasingly more complex.

Calculating the total number of tourists at one time involved simply adding up arrivals recorded by the police at ports, land frontiers and airports.

But the 1993 Schengen agreements which abolished fixed border controls for signatory states of the European Union has forced the institute to conduct manual counts and sample surveys to produce the required figures.

Similarly, the onset of the euro and the end, in 2002, to most foreign currency transactions will result in additional fieldwork and exit questionnaires to find out how much non-Spanish tourists spend while they are on holiday.

The statistical challenge that confronted the institute as a result of European integration has provided a unintended bonus for Spain's tourism authorities.

They now know much more about a sector that is by its very nature segmented, and they can track changing tourist trends. The private sector has also directly benefited. Big domestic tourism businesses, such as the Sol Meliá hotel group and Port Aventura, a large theme park south of Barcelona, have been among the first to make regular use of Ms Rodriguez Salmones' data base.

As to the future, there are four main areas that are concentrating the minds of the authorities and the private sector.

One reflects the success of the Port Aventura complex and concerns the need for more value added projects in the main tourism areas. Valencia's regional government has provided venture capital for a theme park near Benidorm, and similar sites are planned elsewhere.

At the other end of the scale in visitor tastes there is considerable interest in building up the tourism profile of Spain's historic cities to tap the market that Prague, for example, has so ably exploited.

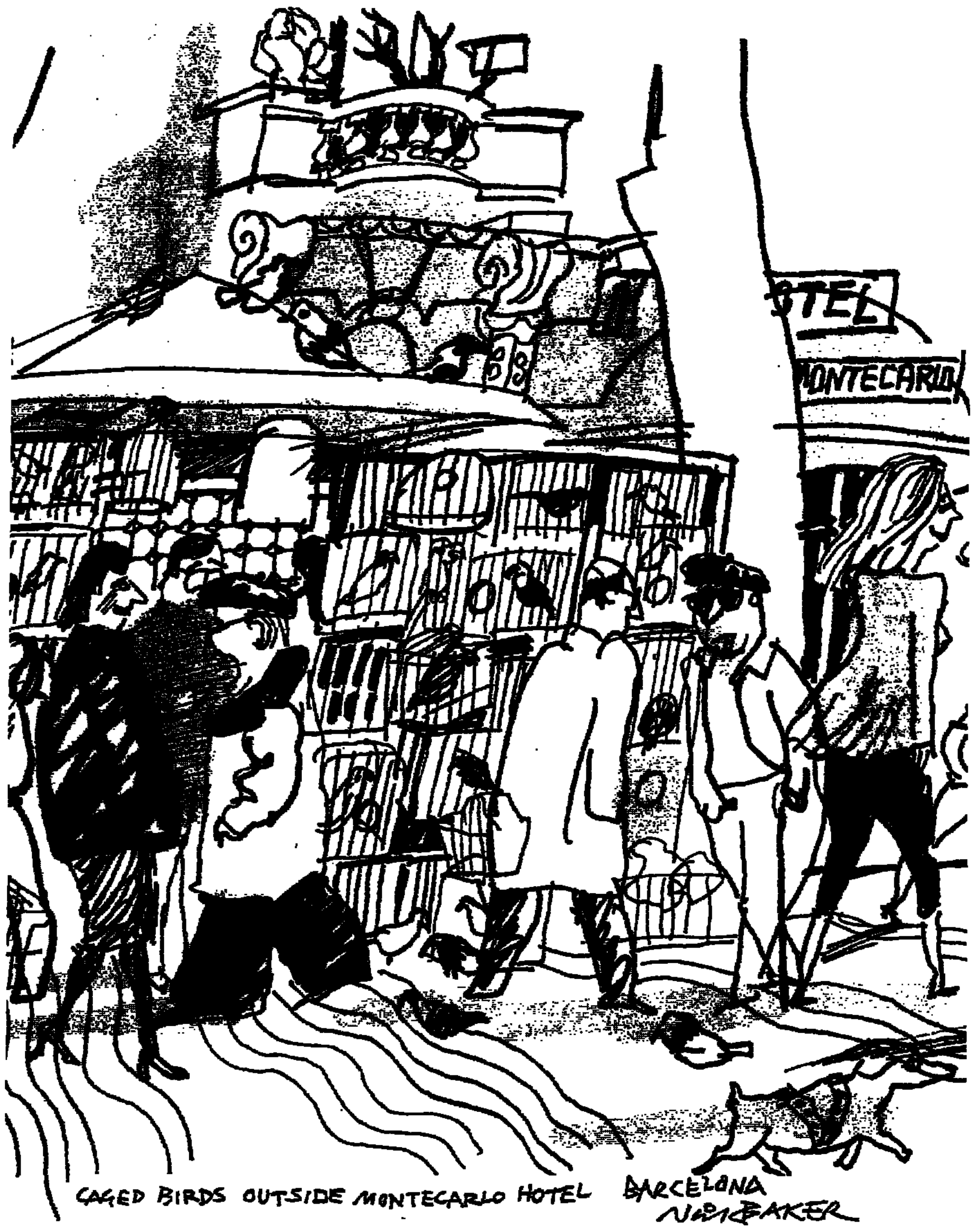
A third potential market concerns what mainline hotel owners on the Costa resorts call *desestacionalizar*, that is ending their dependence on family holidays in the high summer season by attracting pensioners on low-cost winter breaks.

In February some hotels in Benidorm recorded a 90 per cent occupancy rate, with a high proportion of foreign guests. This was thanks to retired people, many of whom arrived on package tours sponsored by their local authorities. Calviàa, in Mallorca, once a haunt of lager louts, is pulling down its cheaper hotels and re-inventing itself as a sedate centre for the elderly.

A fourth market is not strictly a tourism venture, but it is very much the consequence of the tens of millions who have visited Spain since the 1960s.

Some of those tourists are now permanent foreign residents in Spain and this retirement market is forecast to grow steadily. Per Svensson, the founder and president of the Institute of Foreign Property Owners, based in the southeast town of Altea, has 20,000 members on his books and believes 1m foreigners own property in Spain.

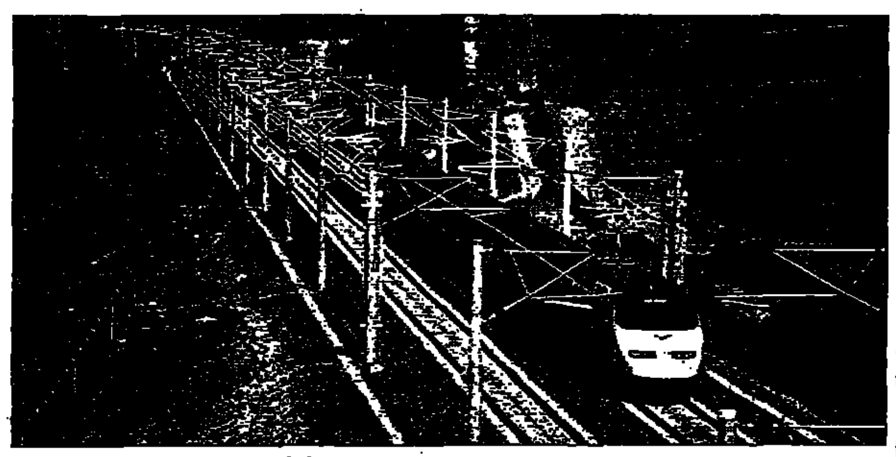
"Foreigners are rushing in to buy homes in Spain," says Mr Svensson. "Monetary union is going to have an extraordinary impact on Spain as a retirement market." Spain's tourism hen is probably about to be hatch its most valuable golden egg.



TRANSPORT • by Tom Burns

All aboard the fast track

Policy shift puts more emphasis on private sector participation in projects



Fast rail service links Madrid with Seville

Felipe González ensured when he was prime minister that a high speed train linked Madrid with his home town of Seville, the capital of southern Spain. His successor José Maria Aznar plans a fast rail service between Madrid and the northern city of Valladolid, capital of the Castilla León region and his provincial power base. In terms of major transport policies that is where the similarities end between the two politicians.

Towards the end of his nearly 14-year term in office, Mr González tentatively began to seek private sector financing for the ambitious infrastructure plans drawn up by his Socialist government. Mr Aznar, when he gained power in 1996, made it clear he wanted a partnership with the private sector in order to maintain the road and rail building momentum.

The policy shift that took place under the centre-right government owed as much to Mr Aznar's belief in the markets as it did to the pressures of meeting the deficit criteria that would enable Spain to join the start-up of the European single currency. Either the private sector picked up the transport burden that the state budget could no longer carry or the infrastructure programme would grind to a halt.

Private finance is no newcomer to Spain's road infrastructure but it had been held at arms length since the 1960s, a period when General Franco's administration tapped the markets for a succession of toll motorways that were chiefly concentrated in the Basque Country and Catalonia. When the domestic economy began to expand in the mid-1980s,Mr González's ruling Socialist party judged the toll system to be politically incorrect and opted instead for a network of publicly financed, and free, dual carriageways.

One of the early pragmatic moves by Mr Aznar's centre-right government was to renew the administration's relationship with the motorway companies. It prepared a package of measures that included extensions to their toll concessions, permits that let them diversify into the service station business, and tenders for improved approaches to the motorways that they operated.

The sweeteners were followed by the announcement that 10 new toll motorways would be built, comprising a total of 441.5kms (275.9 miles) with an overall budget of Pta256bn. This initiative is important because it demonstrates the government is serious about infrastructure partnerships with the private sector. The new toll motorways are planned as alternatives to existing dual carriageways that have become highly congested, and four of the 10 are located on the outskirts of Madrid to permit fast exits through the city's suburbs.

Essentially the government is seeking a balance between the free highways of 1980s road network and the expensive toll motorways. One of the most eye-catching features of the plan is that tolls on the new motorways will be substantially lower than those on the existing ones.

Only one of the 10 motorways – a link between the south eastern cities of Alicante and Cartagena budgeted at Pta30bn – has so far been tendered, and interest is reportedly high for all the projects. The Madrid office of the international economic consultants Nera, which has advised the government on public policy issues, believes there will be little difficulty in attracting bidders to other high-density road transport zones should the government wish to extend its toll motorway initiative.

The bulk of private financing in road infrastructure will nevertheless be directed towards the conventional dual carriageway system. The Aznar government has maintained the investment momentum for transport infrastructure of the González years – the development ministry's 1998 budget for road and rail projects runs to of Pta1,000bn – but it intends to pay for it under a deferral mechanism that is called the "German" model.

The model calls upon the private sector, led by the construction companies, to build and wholly finance new road projects which are then sold to the government when completed. Payment, under this financing method, may be spread over 10 years.

The obvious appeal for politicians of the "German" model is that it delays the impact of high spending on public deficits. It was therefore tailored-made for governments like Mr Aznar's which had to cut drastically the budget shortfall in order bring the peseta in line with the single European currency criteria.

The additional advantage of implementing this financing tool was that it neatly dovetailed with the strategy of the free marketeers on Mr Aznar's team by opening the door to the private sector. The development ministry raised a total of Pta122.4bn last year using the "German" model to finance 12 stretches of dual carriageways that were under construction. Tenders worth Pta52.7bn for a further two stretches on a costly coastal highway that is being built in the northern Asturias region were issued in March.

Everything suggests the government has succeeded in laying down the basis for a fruitful partnership with the private sector over road building. Rail transport represents a parallel challenge and the indication is that similar guidelines will be followed.

A first step in this direction has been the creation of a new government agency called Ente Gestor de Infraestructuras Ferroviarias (GIF) that is responsible for managing the construction of major railway developments and will also act as the vehicle for channelling private finance into such projects.

The first venture to come within the GIF orbit is the ambitious high speed train link that will link Madrid with Barcelona and the French frontier by 2004. The agency is also likely to be responsible for the new railway joining Madrid with Valladolid, the city that launched Mr Aznar into national politics.

Mr Aznar may well be remembered by the public for the Valladolid link, which will involve complex tunnelling through the mountains of central Spain, just as Mr González is identified with the high speed train to Seville that is now making a strong operating profit. The markets are more likely to view the new Valladolid railway, and also the Barcelona one, as milestones in the policy switch towards the private sector.

CULTURE • by Tom Burns

A hard lesson in history

Attempt to push through Humanities bill proves major political headache

José Maria Aznar has found to his cost that well meant cultural and educational initiatives can create more political headaches than a battery of restrictive economic measures.

Catalan and Basque nationalists in parliament have stood firm behind Mr Aznar's minority government over the past two years as it introduced crunching budgets in order to bring down the public deficit. But they balked when Esperanza Aguirre, the education and culture minister, introduced legislation that sought to establish standards on how history is taught.

A 30-member committee, formed by regional authorities and academics, is currently attempting to redress the humiliation wrought on the centre-right government in December when a Humanities bill drafted by Ms Aguirre was rejected by 180 to 151 in congress. The vote marks the government's sole major set back to date, and the committee is due to report by the end of this month on amendments that will permit the bill's safe passage through parliament.

The re-drafting process could prove as contentious as the original bill. Some fear it will be a climbdown, and defeat the original purpose of creating a common curriculum for Spanish school children.

"It will be very flabby and utterly non-controversial report," said a Madrid official who monitors the committee's meetings. Allegedly it will say that it is difficult to pinpoint what the study of Humanities – a term used to embrace geography, Spanish literature and language as well as history – actually is, although it will stress it is important such subjects should be taught.

In cumbersome language, the Humanities bill sets out one of its principal objectives to be: "An understanding and evaluation [on the part of students] of the unitary character of Spain's historical development in all its linguistic and cultural diversity." The inclusion of the term "unitary" touched a raw nerve among the nationalists six months ago and the committee will in all likelihood recommend that it be withdrawn from the bill.

The genesis of the ill-fated Humanities legislation was the discovery, by Ms Aguirre and her advisers in the education ministry, that pupils could leave high school without any notion of an historical figure such as Phillip II, the monarch who ruled over a 16th Spanish empire on which the sun never set.

In areas where regional governments have responsibility for educational policy – particularly in the Basque Country and in Catalonia – there was growing concern in Madrid that teachers focused almost exclusively on local history and put a pronounced nationalist spin on past events.

By ensuring the maintenance of high educational standards through a common curriculum, Ms Aguirre's initiative sought to build upon legislation, introduced by the previous Socialist government, that extended the school leaving age to 16.

In order to fill the Humanities bill with content, a team of university and high school teachers, picked by the ministry, drew up detailed lists of headings that covered the main themes of Spain's history as well as its geography and literature.

What fuelled the blanket rejection by Basque and Catalan nationalists of the bill was a complex dispute about what history should be taught and how students should learn it.

Nationalists view the creation of a modern nation state as a process that eroded earlier local liberties that they want to resurrect within a loose federalist framework.

The bill in fact succeeded in reviving the long-standing "what is Spain?" debate that has in the past passionately engaged the country's intellectuals.

By doing so it starkly brought face to face two opposing political sensibilities

The politically correct agenda in the nationalist camp views Spain as a "plurinational" state, and it therefore backs the narrow focus of educational guidelines set by its local education authorities. The expansion of Catalonia's Mediterranean trading empire, for example, in the early middle ages takes precedence in some Catalan schools over the colonisation of Latin America which was lead by Castilian conquistadors.

The ensuing debate had academics weighing in with lengthy newspaper articles, most of which supported Ms Aguirre's view that a "core" curriculum shared by all Spanish school children was desirable.

"In their bid to cut the historical cloth in a way that suits them, certain nationalist politicians risk leaving generations of students naked," wrote Gabriel Tortella, a distinguished professor of economic history.

But the politicians won the day against Ms Aguirre and the bulk of educational establishment. To the government's acute embarrassment, the nationalist members of congress, spearheaded opposition to the legislation and then gained the support of the Socialist party in order to defeat the bill. In what Ms Aguirre termed a cynical act of "political opportunism", the Socialists first backed the curriculum initiative in its first reading and subsequently voted against it to bring about the government's humiliation.

Ms Aguirre said those who had voted against her proposals has scored a "pyrrhic victory" because she was determined to introduce them. Mr Aznar, whose chief priority is a parliamentary majority to support his budgetary policies, vainly appealed for consensus saying: "Reason and common sense must prevail."

He approved the appointment of the committee to advise on the re-drafting of the vexed bill but he must have heartily wished the Pandora's box of historicism had never been opened.

Catalan pride: Barcelona's success was a lesson for Madrid this season AP

TELECOMMUNICATIONS • by Tom Burns

Too many on party line

Award of third cellphone licence upsets deregulation apple cart

Until very recently the deregulation of Spain's Telefónica-dominated telecommunications sector looked like a case study for intelligent public policymaking. The government appeared to have created a level playing field that fostered competition among the big global groups and thereby benefited consumers.

In a matter of weeks the plan has gone awry. The award of a third cellular phone licence this month was intended to put the seal on an exemplary liberalisation process, but it has become a nightmare decision for the regulator.

The complexity of the issue underlines several themes, some of which are common to the telecoms industry and others that are specific to Spain. On the one hand, there is the industry's giddy technological development and changing partnerships of its main players. On the other, there is the extraordinary attraction of the Spanish telecoms market, where the potential for growth is in inverse proportion to the development of properly structured and stable domestic capital.

Seen from the government's point of view, the present imbroglio is the direct consequence of a surprise shareholder alliance that was unveiled in April at Airtel, the second mobile operator that in 1995 began competing with the mobile network set up by Telefónica, and which currently controls 28 per cent of Spain's cellphone market.

Ironically, the alliance was masterminded by British Telecommunications which had helped launch Airtel as a minority shareholder but was willing to exit from the company last year because it had entered into a partnership with Telefónica.

BT's decision to remain in Airtel and increase its stake in the mobile company derailed a carefully-crafted strategy that would have accommodated the ambitions of Telecom Italia and France Telecom to be global operators in the Spanish market.

According to the strategy, Telecom Italia, which launched Retevisión, the second fixed operator, earlier this year, was to have become Airtel's reference shareholder. France Telecom's entry into the Spanish market commenced last month when it was the sole bidder for the third fixed telephone licence planned under the deregulation programme, and it would have been completed with the award of the third cellphone licence this month.

BT's pre-emptive strike in Airtel has placed the government in the highly embarrassing situation of having to cut short the ambitions of either Telecom Italia or France Telecom. They are both battling head-on for the sole remaining mobile licence in order to provide a full global service in Spain, but one of the two will be denied a cellphone network.

There is likely to be intense political lobbying on behalf of France Telecom but the government has a specific interest in Retevisión, for it holds a 30 per cent stake which it plans to sell later this year. If Telecom Italia fails to gain the mobile licence, the disposal of Retevisión could be complicated.

None of this would have occurred had BT maintained a strategic alliance that it forged with Telefónica a year ago when it drew the dominant domestic operator into its Concert alliance with MCI of the US. The Concert venture collapsed when MCI joined forces with its fellow US operator WorldCom, and Telefónica, distancing itself from BT, opted to ally with WorldCom-MCI in March. The UK group, freed from any tie-ups in Spain, consequently set its sights on Airtel.

In Airtel, BT is partnering AirTouch, a pure cellphone US operator. They both view the Spanish company as an ideal vehicle for developing the telecoms business of the future, and they share the belief that fixed and mobile networks will converge by focusing on internet protocols. Through an agreement with minority shareholders, BT and AirTouch have gained effective control of Airtel and fended off the assault that Telecom Italia planned on the mobile operator in order to bring it under Retevisión's umbrella.

The unfurling tale of who allied to whom in Spanish telecommunications has thus brought to the forefront both the transient nature of international joint ventures and the industry's changing priorities.

The fact Spain has generated such excitement reflects the potential of the domestic market. Telefónica, which for so long has had Spain's telecoms sector to itself, regularly reports double digit earnings growth and it has used its strong Spanish base as a springboard for expansion in Latin America where it has become the region's biggest foreign operator.

Growth has been especially strong in new businesses. In less than four years the mobile operators – Telefónica and Airtel – have attracted 4m customers. This client base is expected to have doubled by 2000 and to stand at 12m in 2002. BT Tel, a data transmission business that the UK group set up in Spain in 1993, saw its business rise by 38 per cent last year, a period BT considered stagnant because it was then locked in conversation with Telefónica and did not wish to be considered aggressive by its prospective Spanish partner.

Given such prospects, it is small wonder BT should have swooped on Airtel, Telecom Italia should have launched Retevisión, and France Telecom should be fighting, as a late entrant, to break into the market. No other area of the Spanish economy has attracted such interest and inward investment.

From the very beginning of its deregulation programme for the telecoms sector, the government was confident its liberalising policies would attract the main European players. What it failed to foresee was the changing shareholder structure at Airtel, the first genuine competitor to take on Telefónica's dominance, and the consequent conflict that has emerged over the award of the third mobile licence.

The muddle would have been avoided had the foreign operators entering the deregulated market been accompanied by stable and significant domestic partners, both industrial and financial. BT and AirTouch stole a march on Retevisión when they brought minority Spanish shareholders behind them in Airtel. But neither operator can feel at ease over the mid-term with the support of essentially speculative investors.